Royal Exchange Prudential Life Plc (RC: 614276)

Financial statements
For the year ended 31 December 2014

Together with Directors' and Auditors' Report

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Coporate information

Registered office:	New Africa House 31, Marina Lagos Nigeria
Chairman:	Mr. Chike Mokwunye
Managing Director/CEO:	Mr. Olawale Banmore (MD/CEO)
Non-Executive Directors:	Alhaji H.S. Mohammad, fwc Alhaji Auwalu Muktari Mr. Donald Nosiri
Company secretary:	Ngozi Onyeme
Company registration number:	RC: 614276
Preparation supervised by:	Francis Chikezie Okoli Chief Financial Officer
Independent auditors:	KPMG Professional Services, KPMG Towers, Bishop Aboyade Cole Street, Victoria Island Lagos Nigeria
Bankers:	Union Bank Plc United Bank of Africa Plc Access Bank Plc First City Monument Bank Limited Guaranty Trust Bank Plc Skye Bank Plc Royal Exchange Microfinance Bank Limited Sterling Bank Plc First Bank Limited Ecobank Nigeria Plc

Report of the Directors for the Year Ended 31 December, 2014

The Directors are pleased to submit to the Members of the Company their 6th Annual Report together with the audited financial statements for the year ended 31 December, 2014

1 LEGAL FORM AND PRINCIPAL ACTIVITIES

Royal Exchange Prudential Life Plc. (the Company) formerly known as Royal Exchange Prudential Life Assurance Company Plc, was incorporated in Nigeria on January 11, 2005 as a limited liability Company domiciled in Nigeria. Prior to change of name, the Company received an approval and license to transact life assurance business from the National Insurance Commission on February 28, 2007. After the name change, the license was revalidated via a new certificate of registration dated December 16, 2009 issued to the Company in its new name, Royal Exchange Prudential Life Plc, to engage in the provision of financial services including long-term and short-term life assurance, investments, asset management, business acquisitions, underwriting and claims management. These financial services are primarily undertaken in Nigeria.

The registered office address of the Company is New Africa House, 31, Marina, Lagos, Nigeria.

2 RESULTS FOR THE YEAR

The highlights of the Company's trading results for the year ended 31 December, 2014.

	31-Dec-2014	31-Dec-2013
	N'000	N'000
Profit/(Loss) before tax	162,909	130,482
Taxation	(22,479)	(52,455)
Profit/(Loss) after taxation	140,430	78,027
Transfer to contingency reserve	23,666	21,425
Transfer to revenue reserve	140,430	78,027

3 DIRECTORS AND DIRECTORS' INTEREST AND SHAREHOLDING

A Board of 5 (five) Directors determined the general policy of the Company in the year under review.

3.1 The Directors of the Company who held office during the year were as follows:

Mr. Chike Mokwunye	Chairman
Alhaji H.S. Mohammad, fwc	Independent Director
Alhaji Auwalu Muktari	Non-Executive Director
Mr. Donald Nosiri	Non-Executive Director
Mr. Olawale Banmore	Managing Director/Chief Executive Officer
Mr. Mukesh Malhotra	Non-Executive Director (resigned on October 23, 2014)

3.2 *Resignation, Appointment and Re-appointment of Directors:*
Mr. Mukesh Malhotra resigned as a director of the Company with effect from October 23 , 2014.

3.3 The directors except, Alhaji H.S. Mohammad, are representatives of the parent Company, Royal Exchange Plc, and have no direct or indirect share holding in the Company as required to be disclosed under Section 275 of the Companies and Allied Matters Act (CAMA) of Nigeria.

3.4 **Director's interest in contracts**

None of the directors has notified the Company for the purpose of section 277 of the Companies and Allied Matters Act (CAMA) of their direct or indirect interest in contracts with the Company during the year.

4 SHARE CAPITAL AND SHAREHOLDING

4.1 *Authorized Share Capital*

The Authorized Share Capital of the Company is N3,000,000,000 made up of 3,000,000,000 Ordinary Shares of N1.00 each.

4.2 *Called Up Issued and Fully Paid Share Capital*

The Issued and Paid-Up Share Capital of the Company currently is N2,161,339,467 made up of 2,161,339,467 Ordinary Shares of N1.00 each.

	31-Dec-2014 No. of Ordinary Shares	31-Dec-2014 % Holding	31-Dec-2013 No. of Ordinary Shares	31-Dec-2013 % Holding
Royal Exchange Plc	2,161,339,466	99.9%	2,161,339,466	99.9%
Royal Exchange General	1	0.1%	1	0.1%
Total	2,161,339,467	100%	2,161,339,467	100%

According to the register of members as at 31 December 2014, no individual held more than 5% of the issued share capital of the Company except as stated above.

5 PROPERTY AND EQUIPMENT

Information relating to changes in property and equipment during the year is shown in note 10 to the financial statements. In the opinion of the Directors, the market value of the Company's properties is not less than the carrying value shown in the financial statements.

6 DONATIONS

The Company made no contributions to charitable and non-political organisations during the year (2013:Nil)

7 EVENTS AFTER REPORTING DATE

There were no material events subsequent to year end that could impact the financial statements.

8 AGENTS, BROKERS AND INTERMEDIARIES

The Company maintains a network of licensed agents throughout the country. The Company also renders services to its customers through a varied network of brokers licensed by the National Insurance Commission.

9 EMPLOYER'S INVOLVEMENT, TRAINING AND WELFARE

9.1 *Employment of Physically Challenged Persons*

It is the policy of the Company that there will be no discrimination in the consideration of all applications for employment. As at December 31, 2014, the Company had no disabled person in its employment.

9.2 *Health and Safety at Work and Welfare of Employees*

The Company is concerned about the health, safety and welfare of its employees as well as safety of all visitors. The Company provides medical services to its staff through health insurance with a registered Health Management Organization.

9.3 *Involvement and Consultation*

The Company's consultation machinery was fully used in the year to disseminate management policies and encourage the employees' involvement in its affairs.

9.4 *Training*

The Company recognizes that the acquisition of knowledge is constant. The Company recognizes also that to foster commitment, its employees need to hone their awareness of factors, economic, financial or otherwise, that affect its growth. To this end, the Company, in the execution of its training programs encourages and provides the opportunity for its staff to develop and enhance their skill awareness and horizon.

10 AUDITORS

Messrs KPMG Professional Services have indicated their willingness to continue in office as auditors, in accordance with section 357(2) of the Companies and Allied matters Act of Nigeria 1990.

11 COMPLIANCE WITH THE CODE OF BEST PRACTICES ON CORPORATE GOVERNANCE

The Directors confirm that they have reviewed the structure and activities of the Company in view of the Code of Best Practices on Corporate Governance for the Insurance Industry in Nigeria published in February, 2009. The Directors confirm that the Company has substantially complied with the provisions of the Code of Best Practices on Corporate Governance with regards to matters stated therein concerning the Board of Directors, the Shareholders and the Audit Committee.

BY ORDER OF THE BOARD

NSOnyeme

Ngozi Onyeme
FRC/2013/NBA/000000004371
Company Secretary
Lagos, Nigeria
17 April 2015

Statement of directors' responsibilities in relation to the financial statements for the year ended 31 December 2014

The Directors accept responsibility for the preparation of the annual financial statements and other financial information set out on pages 7 to 65 that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Allied Matters Act of Nigeria, the Financial Reporting Council of Nigeria Act, 2011, the Insurance Act of Nigeria and relevant National Insurance Commission regulations.

The Directors further accept responsibility for maintaining adequate accounting records as required by the Companies and Allied Matters Act of Nigeria and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

The Directors have made assessment of the Company's ability to continue as a going concern and have no reason to believe that the Company will not remain a going concern in the year ahead.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

Chike Mokwunye (Chairman)
(FRC/2013/IODN/00000004071)
17 April 2015

Wale Banmore (Managing Director/CEO)
(FRC/2013/CIIN/00000003075)
17 April 2015

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Independent Auditor's Report
To the Members of **Royal Exchange Prudential Life Plc**

Report on the Financial Statements

We have audited the accompanying financial statements of Royal Exchange Prudential Life Plc ("the Company"), which comprise the statement of financial position as at 31 December 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 7 to 63.

Directors' responsibility for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies and Allied Matters Act of Nigeria, the Financial Reporting Council of Nigeria Act, 2011, the Insurance Act of Nigeria 2003 and relevant National Insurance Commission of Nigeria("NAICOM") circulars and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements give a true and fair view of the financial position of Royal Exchange Prudential Life Plc ("the Company) as at 31 December 2014, and of the Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies and Allied Matters Act of Nigeria, the Financial Reporting Council of Nigeria Act, 2011 the Insurance Act of Nigeria 2003 and relevant National Insurance Commission of Nigeria("NAICOM") circulars.

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Schedule 6 of the Companies and Allied Matters Act of Nigeria

In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books and the statement of financial position and the statement of profit or loss and other comprehensive income are in agreement with the books of account.

Compliance with the requirements of National Insurance Commission of Nigeria Guidelines

The Company paid a penalty in respect of contravention of the requirement of a section of the National Insurance Commission of Nigeria's Operational Guidelines 2011 during the financial year. The details of this contravention and penalty paid is disclosed in note 47 to the financial statements.

Signed:

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
A0905038

Akinyemi J. Ashade, ACA
FRC/ICAN/2013/00000000786
For: KPMG Professional Services
Chartered Accountants
21 April 2015
Lagos, Nigeria

Statement of Company's Information and Significant Accounting Policies

1 Reporting Entity

Royal Exchange Prudential Life Plc. (the Company) formerly known as Royal Exchange Prudential Life Assurance Company Plc, was incorporated in Nigeria on January 11, 2005 as a limited liability Company domiciled in Nigeria. Prior to change of name, the Company received an approval and license to transact life assurance business from National Insurance Commission on February 28, 2007. After the name change, the license was revalidated via a new certificate of registration dated December 16, 2009 issued to the Company in its new name, Royal Exchange Prudential Life Plc, to engage in the provision of financial services including long-term and short-term life assurance, investments, asset management, business acquisitions, underwriting and claims management. These financial services supported by outstanding customer service are primarily undertaken in Nigeria.

The registered office address of the Company is New Africa House, 31, Marina, Lagos, Nigeria.
The Company, which is a wholly owned subsidiary of Royal Exchange Plc., has issued and fully paid share capital of 2,161,339,467 ordinary shares of N1 each.

2 Statement of Compliance with IFRS and Basis of preparation

(a) Statement of Compliance with IFRS

The financial statements have been prepared in accordance with International Financial Reporting Standards("IFRS"s) and ("IFRIC") including Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB) prevailing as at December 31, 2014.

The financial statements include the statement of financial position, statement of profit or loss and other comprehensive income, the statement of cash flows, the statement of changes in equity and the notes to the account.

(b) Basis of preparation

The financial statement has been prepared in accordance with the going concern principle under the historical cost basis except for the following:

(i) Measured at fair value:

- Available-for-sale financial assets,
- Fair Value through Profit or Loss (FVTPL)
- Investment property

(ii) Measured at a different measurement basis

- Retirement benefit obligations are measured as the present value of the defined benefit obligation;

(c) Functional and presentation currency

The financial statement is presented in Naira, which is the Company's functional currency; except where indicated, financial information presented in Naira has been rounded to the nearest thousands.

(d) Reporting period

The statement of profit or loss and other comprehensive income has been prepared for a 12 month period.

(e) The use of estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income, and expenses.

Management makes estimates relating to insurance liabilities, deferred acquisition costs, the acsertainment of fair values of financial assets, financial liabilities, contingencies, and the determination of impairment losses. In each case, the determination of these is fundamental to the financial results and position, and requires management to make complex estimates and assumptions based on information and financial data that may change future periods. Since these invlove the use of assumptions as to future events and are subject to change, the use of different assumptions or data could produce materially different results.

Other estimates of future experience include future equity investment returns, estimate of future inflation rate, assumptions with regard to future mortality rate, disability rate, persistency assumption as regards lapse and surrender rates.

(f) Changes in accounting policies

Except for the changes below, the Company has consistently applied the accounting policies set out in note 3 to all periods presented in these financial statements.

The Company has adopted the following new standards and amendments to standards including any consequential amendments to other standards, with the date of application of 1 January 2014. Neither of these amendments has a material impact on these financial statements.

(i) Offsetting financial assets and financial liabilities (Amendment to IAS 32).

The amendment to IAS 32 clarifies the offsetting criteria in IAS 32 by explaining when an entity currently has a legally enforceable right to set off and when gross settlement is equivalent to net settlement. The amendments are effective for annual periods beginning on or after 1 January 2014 and interim periods within those annual periods. Early application is permitted.

(ii) IFRIC 21 Levies

IFRIC 21 defines a levy as an outflow from an entity imposed by government in accordance with legislations .

It confirms that an entity recognizes a liability for a levy -when and only when- the triggering events specified in the legislation occurs. IFRIC 21 is not expected to have a material effect on the Company's financial statement .

(iii) Investment entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

The amendments clarify that a qualifying investment entity is required to account for investments in controlled entities, as well as investments in associates and joint ventures, at fair value through profit or loss; the only exception would be subsidiaries that are considered an extension of the investment entity's investment activities. The consolidation exemption is mandatory and not optional.

This amendment will have no impact on the Company as it does not have investments in controlled entities, as well as investments in associates and joint ventures. This amendment is effective for annual periods beginning on or after 1 January 2014 with early adoption permitted.

(g) New standards and interpretation not yet adopted

A number of new standards, amendment to standards and interpretation are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing the financial statements. Those which may be relevant to the Company are set out below.

The Company does not plan to adopt these standards early. However, the Company is still evaluating the potential effect of the new standards.

(i) IFRS 9 Financial Instruments (2010) and IFRS 9 Financial Instruments (2009) (together IFRS 9)

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from IAS 39.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Company is assessing the potential impact of the application of the standard on its financial statements.

(ii) IFRS 15 Revenue from Contracts with Customers

This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter of Transactions Involving Advertising Services.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

The Company is currently in the process of assessing the impact of this standard on the Company financial statements.

IFRS 15 is effective for annual reporting periods begininning on or after 1 January 2017.

(iii) Clarification of Acceptable methods of Depreciation and Amortization - Amendments to IAS 16 and IAS 38

The amendments to IAS 16 Property, Plant and Equipment explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment.

The amendments to IAS 38 Intangible Assets introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. The presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

The Company currently does not have intangible assets and plants that are amortised or depreciated using a revenue-based method.

(iv) Disclosure Initiative Proposed amendments to IAS 1

The amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements.

The Company has assessed and evaluated the potential effect of this standard. Given the nature of the Company's operation, this standard will have no impact on the Company's financial statements.

3 Summary of Significant accounting policies

Significant accounting policies are defined as those that reflect significant judgments and uncertainties, and potentially give rise to different results under different assumptions and conditions.

Except for the changes explained in Note 2(f) above, the Company consistently applied the following accounting policies to the periods presented in the financial statements

a) Foreign Currency

Transactions in foreign currencies are translated to Naira at the spot exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to Naira at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the year adjusted for effective interest and payments during the year, and the amortized cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognized in the statement of profit or loss.

Foreign exchange gains or losses that relate to cash and cash equivalents are presented in the statement of profit or loss within 'other operating income' or 'other operating expenses'.

b) Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, bank and call deposits and other short-term highly liquid investments with original maturities of three months or less subject to an insignificant risk of changes in their fair value and are used by the Company in the management of its short-term commitments.

Cash and cash equivalents are carried at amortized cost (cost plus accrued interest) in the statement of financial position.

c) Financial assets and liabilities

The classification of financial assets depends on the purpose for which the investments were acquired or originated. The Company classifies its financial assets into the following categories:

- Financial assets at fair value through profit or loss;
- Loans and receivables, and
- Available-for-sale financial assets

The Company's financial assets include cash and short term deposits, trade and other receivables, commercial loans, quoted and unquoted equity instruments.

The Company's financial liabilities are classified as other financial liabilities. They include: investment contract liabilities, creditors and accruals.

(i) Initial recognition and measurement

The Company initially recognizes loans and advances, fixed deposits, treasury bills and securities on the date that they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognized on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

All financial assets or financial liabilities are measured initially at their fair value and adjusted for transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss. Subsequent recognition of financial assets and liabilities is at amortized cost or fair value.

(ii) Subsequent measurement

Subsequent to initial recognition, financial assets are measured either at fair value or amortized cost, depending on their categorization as follows:

Financial assets held at fair value through profit or loss (FVTPL)
Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets classified as trading are acquired principally for the purpose of selling in the short term. These investments are initially measured at fair value. Subsequent to initial recognition, they are re-measured at fair value, with gains and losses arising from changes in this value recognized in the income statement in the period in which they arise. The fair values of quoted investments in active markets are based on current bid prices. The fair values of unquoted equities, and quoted equities for which there is no active market, are established using valuation techniques corroborated by independent third parties. These may include reference to the current fair value of other instruments that are substantially the same and discounted cash flow analysis.

Interest earned and dividends received while holding trading assets at fair value through profit or loss are included in investment income.

Available-for-sale (AFS)
Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held to maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are initially measured at fair value plus any directly attributable transaction costs, with the exception of investments in equity instruments where fair value cannot be reliably determined, which are measured at cost. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instruments are recognized in other comprehensive and accumulated in fair value reserves. When available for sale financial assets are derecognized, the gain or loss accumulated in equity is reclassified to statement of profit or loss.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the Company as fair value through profit or loss or available-for-sale.
Loans and receivables consist primarily of trade receivables, commercial loans, staff loans, and other debtors.
Loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans granted at below market rates are fair valued by reference to expected future cash flows and current market interest rates for instruments in a comparable or similar risk class and the difference between the historical cost and fair value is accounted for as employee benefits under staff costs.

Trade receivables arising from insurance contracts are measured net of allowance made for debtors considered doubtful of recovery.

(iii) Fair value measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

Equity Securities, Debt Securities and other invested assets other than investment properties are financial assets that are designated as FVTPL (Fair Value Through Profit or Loss) or AFS (Available For Sale) and are recorded at fair value in the Statement of Financial of Financial Position. Changes in fair value of assets designated as FVTPL, including realized gains and losses on sale are recorded in statement of profit or loss. Changes in fair value of AFS assets are recorded in OCI (Other Comprehensive Income).

The fair value of government and corporate debt securities is determined using quoted prices in active markets for identical or similar securities. When quoted prices in active markets are not available, fair value is determined using market standard valuation methodologies which are determined primarily using observable market inputs, which include, but not limited to, benchmark yields, reported trades of identical or similar instruments, broker-dealer quotes, issuer spreads, bid prices, and reference data including market research publications. The fair value of equity securities is determined using quoted prices in active markets for identical securities or similar securities, when available, or valuation methodologies and valuation inputs similar to those used for government and corporate debt securities. In limited instances, non-binding broker quotes are used where there is lack of observable data.

Staff mortgages and other staff loans are recorded at amortized cost. The fair value of these loans, for disclosure purposes only, is determined by discounting the expected future cash flows using a current market interest rates applicable to financial instruments with similar yield, credit quality and maturity characteristics.

Investment properties are recorded at fair value with changes in fair value recorded in profit or loss. The fair value of investment properties is generally determined using property valuation models that sums up the income streams or rentals which a property can attract in one year and this is then capitalized at an appropriate years purchase of factor rate after due allowance has been made for outgoings. Another valuation technique used to validate the discounted cash flow technique is known as the depreciated replacement cost (DRC) technique. This technique refers to the cost of putting up same or similar structure based on today's bill of quantities with percentage allowance(s) to reflect depreciation and obsolescence as may be applicable.
The methodologies and inputs used in these models are in accordance with real estate industry valuation standards. Valuations are prepared externally by professionally accredited real estate appraisers/valuers.

Due to their nature, the fair value of policy loans are assumed to be equal to their carrying values, which is the amount these assets are recorded at in our Statement of Financial Position.

The methodologies and assumptions for determing the fair values of investment contract liabilities are included in Note 39 of the financial statements.

Offesetting of financial instruments
Financial assets and liabilities are offset and net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realise and settle the liability simultaneously.

(iv) De-recognition
The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when its rights to receive the contractual cash flows on the financial asset in a transaction that transfers substantially all the risks and rewards of ownership of the financial asset are transferred, or when it assumes an obligation to pay those cash flows to one or more recipients, subject to certain criteria.

Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.
On derecognition of financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in other comprehensive income(.i.e for Available for sale financial asset) is recognized in statement of profit or loss.

The Company enters into transactions whereby it transfers assets recognized on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognized. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

In transactions in which the Company neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognize the asset to the extent of its continuing involvement, determined by extent to which it is exposed to changes in the value of the transferred asset.

The Company derecognizes a financial asset when its contractual obligations are discharged, cancelled or expire.

(v) Impairment of financial assets
Financial assets carried at amortized cost
The carrying amounts of these assets are reviewed at each reporting date to determine whether there is any objective evidence of impairment. A financial asset is considered to be impaired if objective evidence indicates that one or more events that have occurred since the initial recognition of the asset have had a negative effect on the estimated future cash flows of that asset and can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about the following events:

- Significant financial difficulty of the issuer or debtor;
- Breach of contract, such as a default or delinquency in interest or principal payments;
- It becoming probable that the borrower will enter bankruptcy or other financial re-organization;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cashflow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Company.

For financial assets measured at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the statement of profit or loss. If the financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under contract.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cashflows for groups of such assets by being indicative of the issuer's ability to pay all amounts due under the contractual terms of the debt instrument being evaluated. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as improved credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the statement of profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are impaired if there is objective evidence of impairment, resulting from one or more loss events that occurred after initial recognition but before the reporting date, that have an impact on the future cash flows of the asset. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is an objective evidence of impairment resulting in the recognition of an impairment loss. In this respect, a decline of 20% or more is regarded as significant, and a period of 12 months or longer is considered to be prolonged. If any such quantitative evidence exists for available-for-sale financial assets, the asset is considered for impairment, taking qualitative evidence into account.

Impairment losses on available for sale financial asset are recognized by reclassfying the losses accumulated in the fair value reserves to statement of profit or loss. The amount reclassified is the difference between the acquisition cost (net of principal repayment and amortization) and the current fair value less any impairment loss previously recognized in statement of profit or loss. If the fair value of an impaired available for sale debt security subsequently increases and the increase can be related objectively to an event occuring after the impairment loss was recognized, then the impairment loss shall be reversed either directly or by adjusting the allowance account.

The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date of the impairment is reversed. The amount of the reversal shall be recognized in statement of profit or loss and through other comprehensive income for equity instruments classified as available for sale.

d) Receivables related to insurance contracts and investment contracts

Trade receivables arising under insurance contracts and investment contracts with Discretionary Participation Feature (DPF) are recognized when due. These include amounts due from agents, brokers, co-assurers and insurance contract holders. Trade receivables are measured at amortized cost less impairment.

An impairment is established when there is objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows have been impaired. The carrying amount of the financial asset is reduced by the impairment loss through the use of an allowance account and recognized as impairment loss in statement of profit or loss.

The Company's allowance for impairment is based on incurred loss model for each customer. The probability of default and the age of the debts are also taken into account in arriving at the impairment amount.

When a trade receivable is considered uncollectible, it is written off against the impairment allowance account.

e) Reinsurance assets

The Company cedes reinsurance in the normal course of business in order to limit its net loss potential for losses arising from certain exposures. The cost of reinsurance related to long-term contracts is accounted for over the life of the underlying reinsured policies, using assumptions consistent with those used to account for these policies. However, reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders.

Reinsurance assets include balances due from various reinsurance companies for ceded insurance and investment contracts. Amounts recoverable from reinsurers are estimated in a manner consistent with the underlying reinsurance contract.

Reinsurance assets are assessed for impairment at each reporting date. If there is reliable objective evidence that a reinsurance asset is impaired, the Company reduces the carrying amount accordingly and recognizes the impairment loss in the income statement.

The Company has the right to set off reinsurance payables against amounts due from reinsurers and co-assurers in line with the agreed arrangement between both parties.

f) Deferred acquisition costs (DAC)

Acquisition costs comprise all direct and indirect costs arising from the writing of life assurance contracts.

Deferred acquisition costs represent a proportion of commission which are incurred during a financial period and are deferred to the extent that they are recoverable out of future premium.

g) Other receivables and prepayments

Other receivables and prepayments comprise staff upfront housing and furniture allowances, intercompany balances due from the Company's sister companies in the Royal Exchange Plc group and accrued investment income receivable. The balances are carried at cost less accumulated amortisation and impairment losses.

h) Investment in associates

Associates are those investees in which the Company has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is primarily presumed to exist when the Company holds between 20% and 50% of the voting power of another entity. However, where other factors are involved, these are taken into consideration in exercising judgment.

Investments in associates are accounted for using the equity method, except it fully meet the exemption criteria stated in IAS 28 paragraph 13(b and c), and are recognized initially at cost. The cost of the investment includes transaction costs.

i Investment properties

Investment properties are properties held either to earn rentals or for capital appreciation (including property under construction for such purposes) or for both purposes, but not for sale in the ordinary course of business, use in the supply of services for administrative purposes.

Recognition and measurement

Investment properties are measured initially at cost, including all transaction costs.

Subsequent to initial recognition, investment properties are re-measured at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair value of investment properties are included in the statement of profit or loss in the period in which they arise. Fair values are evaluated and assessed annually by a Financial Reporting Council's accredited external valuer.

De-recognition

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on de-recognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the statement of profit or loss or in the period of de-recognition and surplus previously recorded in equity is transferred to retained earnings.

Transfers

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of change. Subsequently, the property is re-measured to fair value and reclassified as investment property.

Hypothecation of assets

The Company structured its assets to meet the requirements of the Insurance Act 2003 wherein the policyholders' assets and funds are not co-mingled with assets and funds that belong to shareholders and other funds.

In particular, investment properties, investment securities (equities and fixed income securities and insurance funds hypothecated to policyholders) are distinguished from those owned by the shareholders.

The assets hypothecated are shown in Note 2(g) to the financial statements.

j) Intangible assets

Computer software

Acquired computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. Computer software is stated at cost less amortization and impairment losses. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. Costs associated with maintaining computer software programmes are recognized as an expense as incurred.

Amortization

Acquired Computer software costs are amortized for a period of five years using the straight line method.

k) Property and equipment

Recognition and measurement

All properties of the Company are measured in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on the revaluation of such land and buildings is recognized in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in statement of profit or loss, in which case the increase is credited to statement of profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognized in statement of profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Fixtures and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs

The cost of replacing part of an item of property or equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be reliably measured. The costs of the day-to-day servicing of property and equipment are recognized in the statement of profit or loss as incurred.

Depreciation

Depreciation is recognized so as to write off the cost or revalued amount of assets (other than leasehold land) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

Depreciation on revalued buildings is recognized in statement of profit or loss. On the subsequent sale or retirement of a revalued property, the revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	50 years
Furniture and office equipment	5 years
Motor vehicles	4 years
Computer hardware	4 years

De-recognition

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of profit or loss of the year that the asset is de-recognized

l) Statutory deposits

Statutory deposits are cash balances held with the Central Bank of Nigeria (CBN) in compliance with the Insurance Act, CAP 117, LNF 2004 for the Life Insurance Companies.

The deposits are only available as a last resort to the Company if it goes into liquidation. Statutory deposits are measured at amortised cost.

m) Insurance contract liabilities

The Company issues contracts that transfer insurance insurance risk or financial risk or both. Insurance contracts are those contracts where the insurer has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company defines as significant insurance risk the possibility of having to pay benefits on the occurence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

Insurance contract with discretionary participating features (DPF)

Some insurance contracts and investment contracts contain a discretionary participating feature (DPF), which is a contractual right to receive as, a supplement to guaranteed benefits, additional benefits that are:

- Likely to be a significant portion of the total contractual benefits;
- The amount or timing is contractually at the discretion of the insurer; and
- That are contractually based on:

i. the performance of a specified pool of contracts or a specified type of contract;
ii. realized and or unrealized investment returns on a specified pool of assets held by the issuer; or
iii. the profit or loss of the Company.

Recognition and measurement

Insurance contracts with DPF are classified into two main categories, depending on the duration of risk and whether or not the terms and conditions are fixed.

(i) Short-term insurance contracts

Short-duration life insurance contracts (Group Life) protect the Company's clients from the consequences of events (such as death or disability) that would affect the ability of the client or his/her dependants to maintain their current level of income. These contracts have no maturity or surrender value and the premiums are recognized as earned premiums proportionally over the period of coverage.

The proportion of premium received on in-force contracts that relates to unexpired risks at the reporting date is reported as unearned premium liability. Premiums are shown before deductions of commissions and are gross of any taxes or duties levied on premiums.

Claims expenses are recognized in the statement of profit or loss as incurred based on the estimated liability for compensation owed to contract holders. They include direct and indirect claims settlement costs that arise from events that have occurred up to the end of the reporting period even if they have not been reported to the Company. The Company does not discount it liabilities for unpaid claims. Liabilities for unpaid/outstanding claims are estimated using the input of assessments for individual cases reported to the Company and statistical analyses for the claims incurred but not reported.

(ii) Long-term insurance contracts with fixed and guranteed terms

These contracts insure events associated with human life (for example, death or survival) over a long duration. Premiums are recognized as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission. Benefits are recognized as an expense when they are incurred. A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognized. The liability is actuarially determined based on assumptions such as mortality, persistency, maintenance expenses and investment income that are estabilished at the time the contract is issued.

(iii) Annuity

Annuity is an insurance product that features a predetermined periodic payout amount until the death of the annuitant in exchange for an immediate payment of a lump sum or a series of regular payments prior to the onset of the annuity. Annuity premium are recognised as income when received from policy holders, and payments to policy holders are recognised as an expense when due. Annuities are valued by using a discounted cash flow approach. The reserves are set equal to the present value of future annuity payments plus expenses, with allowance being made for any guaranteed periods as required by the terms of the contract. Annuities collected in a year are credited to the Gross Premium written and the portion that extends beyond one year is taken out via the unearned premium. The assets representing the annuities are invested in near-cash money market financial instruments with a tenor of 30 days on rolling basis.

The annuity is valued at year end by a professional consultant actuary registered with the National Insurance Commission ("NAICOM"). Also a liability adequacy test is required by law to be performed on annuity fund to determine its sufficieny in meeting the contractual liabilities. Some of the assumptions being considered in valuing the annuity fund at the year end are:
(a) a 10 year guaranteed minimum annuity payment
(b) a valuation interest determined by a long term FGN bond yield
(c) a maintenance expenses and the mortality rates.

n) Investment contract liabilities

Investment contracts are those contracts that transfer significant financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. The investment contract comprises of the Royal Policy Product, (RPP), the Royal Insurance Savings Account (ISA) and the Deposit Administration (DA).

Amounts collected from investment linked contracts with no discretionary participating features are reported as deposits (i.e. as investment contract lialibilities) in the statement of financial position. Interest, usually agreed with clients, is credited per annum to each account holder and the amount expensed to statement of profit or loss. Payment of benefits are treated as withdrawal (reduction) from the balance standing in the credit account of the client.

Provision for unearned premium

The proportion of written premiums, gross of commission payable to intermediaries, attributable to subsequent periods is deferred as a provision for unearned premiums. The change in this provision is taken to the statement of profit or loss as recognition of revenue over the period of risk.

Reinsurance

Premiums, losses and other amounts relating to reinsurance treaties are measured over the period from inception of a treaty to expiration of the related business. The actual profit or loss on reinsurance business is therefore not recognized at the inception but as such profit or loss emerges. In particular, any initial reinsurance commissions are recognized on the same basis as the acquisition costs incurred.

Premiums ceded, claims recovered and commission received are presented in the statement of profit or loss and statement of financial position separately from the gross written premium, claims paid and commissions paid respectively.

Amounts recoverable under reinsurance contracts are assessed for impairment at each reporting date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Company may not recover all amounts due under the contract terms and that the event has a reliably measurable impact on the amounts the Company will receive from the reinsurer.

Liability adequacy test

At each reporting date, an assessment is made of whether the recognized long-term business, short-term business and investment contract provisions are adequate, using current estimates of future cash flows. If that assessment shows that the carrying amount of the liabilities (less related assets) is insufficient in light of the estimated future cash flows, the deficiency is recognized in the statement of profit or loss by setting up an additional provision in the statement of financial position.

o) Trade payables

Trade payables are recognized when due. These include amounts due to agents, reinsurers, co-assurers and insurance contract holders. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date is less than one year, discounting is omitted.

p) Provisions and other payables

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method. The fair value of a non-interest bearing liability is its discounted repayment amount. Short term non interest bearing liability is recognized at the nominal amount as the impact of discounting is not material.

q) Borrowings

Borrowings by way of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Borrowing costs comprise interest payable on loans and bank overdrafts. They are charged to the statement of profit or loss as incurred, using the effective interest rate method except those that relate to qualifying assets.

r) Employee benefits liabilities

(i) Short-term benefits

Staff benefits such as wages, salaries, paid annual leave allowance, and non-monetary benefits are recognized as employee benefit expenses. The expenses are accrued when the associated services are rendered by the employees of the Company. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

(ii) Defined contribution plans

The Company operates a defined contribution plan in accordance with the provisions of the Pension Reform Act 2014. The Company and employees contribute 10% and 8% (2013: 7.5%) respectively of the qualifying monthly emoluments in line with the Pension Reform Act. The Company's monthly contribution to the plan is recognized as an expense in the statement of profit or loss.

The Company pays contributions to privately administered pension fund administration on mandatory basis. The Company has no further payment obligation once the contributions have been paid. Prepaid contributions are recognized as an asset to the extent that a cash refund or reduction in the future payments is available. Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

(iii) Termination benefits

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognizes cost of restructuring. If benefits are not expected to be wholly settled within 12 months of the reporting date, then they are discounted.

(iv) Defined benefit plan

The Company operates a staff gratuity plan for eligible confirmed staff. The normal retirement age is 60 years and 55 years for male staff and female staff respectively. Voluntary retirement can commence after a male staff attains 55 years of age and a female staff attains 45 years of age of unbroken service. Benefits accrue after a minimum of five years of service due to resignation, retirement or death.

The calculation of the Company's defined benefit obligation is performed annually by a qualified actuary using the projected credit unit method. When the calculation results in a potential asset to the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling(if any, excluding interest) are recognized immediately in other comprehensive income (OCI). The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the benefit obligation at the beginning of the annual period to the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in personnel expenses in statement of profit or loss.

When benefits of a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in statement of profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(v) Other long term employee benefits

The Company operates a long service award plan for eligible staff who have rendered unbroken service to the organization.

Benefits accrue after a minimum of 10 years and a maximum of 35 years. The main benefits payable on the scheme are both cash and gift items which vary according to the number of years of service.

s) Income taxes

Current tax

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the statement of profit or loss except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the Company's statement of profit or loss because of items of income or expense that is taxable or deductible in other years and items that is never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or subsequently enacted by the end of the reporting period.

The current taxes include: Company Income Tax at 30% of taxable profit; Education Tax at 2% of assessable profit; Capital Gain Tax at 10% of chargeable gains; and Information Technology Development levy at 1% accounting profit

Minimum tax

The Company pays mimum tax in accordance with the Company Income (Amendment) Act, 2007, where in any year of assessment, the ascertainment of total assessable profits from all sources of the Company results in a loss or where the Company's ascertained total profits results in no tax payable or tax payable is less than the minimum tax. Minimum tax charge is applicable to companies that have been in business for at least 4 (four) calendar years.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Company's financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill (arising in a business combination) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax asset and liabilities are offset when the entity has a legally enforceable right to offset current tax liabilities against current tax assets, and the deferred tax asset and liabilities relate to income taxes levied by the same tax authority on the Company; or on different taxable entities but they intend to settle current tax liabilities and current tax assets on a net basis; or the tax assets and liabilities will be realized simultaneously.

t) Capital and reserves

Share capital

The equity instruments issued by the Company are classified as equity in accordance with the substance of the contractual arrangements and the definitions of an equity instrument.

Equity instruments issued by the Company are recognized as the proceeds are received, net of direct issue costs. Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in statement of profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Share premium

This represents the excess amount paid by shareholders on the nominal value of the shares. This amount is distributable to the shareholders at their discretion. The share premium is classified as part of equity instrument in the statement of financial position.

Contingency reserve

The Company maintains Contingency reserves for the life business in accordance with the provisions of S.21 (1) of the Insurance Act 2003.

In compliance with the regulatory requirements in respect of contingency reserve for Life business, the Company maintains contingency reserve at the rate equal to the higher of 1% of gross premium or 10% of the net profit accumulated until it reaches the amount of the minimum paid up capital.

Retained earnings

The reserve comprise undistributed profit/ (loss) from previous years and the current year. Retained earnings is classified as part of equity in the statement of financial position.

Other reserves - employee benefit actuarial surplus

Actuarial (surplus)/deficit on employee benefits represent changes in benefit obligation due to changes in actuarial valuation assumptions or actual experience differing from experience. The gains/losses for the year, net of applicable deferred tax asset/liability on employee benefit obligation, are recognized in other comprehensive income and transferred to other reserves.

u) **Revenue recognition**

Premium earned

Gross written premium for insurance contract and investment contracts with discretionary participating features comprise premium received in cash as well as premiums that have been received and confirmed as being held on behalf of the Company by insurance brokers and duly certified thereto. For single premium business, this is the date from which the policy is effective. For regular premium contracts, receivables are recognized at the date when payment is either received or credit note received from the broker.

Where policies lapse due to non-receipt of premium, then all the related premium income accrued but not received from the date they are deemed to have lapsed is fully provided for. Premiums are disclosed gross of commission paid to intermediaries but excludes VAT (Value Added Tax) and stamp duties that are payable to intermediaries and relevant regulatory bodies respectively. Premiums on facultative business assumed are included in the gross written premiums and accounted for as if the facultative was considered a direct business, taking into account the product classification of the facultative business assumed.

Unearned premiums represent the portion of premium written in the year that relate to the unexpired risk of policies in force at the balance sheet date.

Deposits collected from investment-linked contracts with non-discretionary participating features are reported as investment contract liabilities in the statement of financial position.

Outward facultative premiums and reinsurance premiums ceded are accounted for in the same accounting period as the premiums for the related direct insurance or facultative business assumed.

The earned portion of premiums receivedis recognized as revenue. Premiums are earned from the date of attachment of risk, over the indenmity period, based on the patern of risks underwritten. Outward reinsurance premiums are recognized as an expense in accordance with the pattern of indenmity received.

Fees and commission income

Fee and commission income consists primarily of insurance agency and brokerage commission, investment contract fee income, reinsurance and profit commissions, policyholder administration fees and other contract fees. Front end fees on investment contracts with no discretionary participating features are recognized as income when investment management services are rendered over the estimated life of the contracts. Reinsurance commissions receivable are deferred in the same way as acquisition costs. All other fee and commission income is recognized as the services are provided.

Investment income

Investment income consists of dividends, interest and rent income on investment properties, interest income on loans and receivables, realized gains and losses as well as unrealized gains and losses on fair value assets. Rental income is recognized on an accrual basis.

Interest income

Interest income is recognized in the statement of profit or loss as it accrues and is calculated by using the effective interest rate method. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognized as an adjustment to the effective interest rate of the instrument.

Dividend income

Dividend income from investments is recognized when the shareholders' rights to receive dividend have been established.

Realized and unrealized gains/or losses

Realized gains and losses on investments include gains and losses on financial assets and investment properties. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortized cost and are recorded on occurrence of the sale transaction.

Unrealized gains or losses represent the difference between the carrying value at the year end and the carrying value at the previous year end or purchase value during the year, less the reversal of previously recognized unrealized gains and losses in respect of disposals during the year.

Other operating income

Sundry and other operating income represents sundry incomes generated from other sources than premium income and investment income. All income is recognized on an accrual basis.

v) Expense recognition

Insurance benefits and claims expense

Claims on life insurance contracts and annuity contracts consist of claims arising during the reporting period, together with the movement in the provision for outstanding claims. The cost of claims includes both the direct expenses incurred in settling claims and the indirect expenses incurred by the claims staff in processing claims. All outstanding claims on both short-term and long-term insurance contracts that have occured at the reporting date, and which have been notified by the assured, are carried at the claim amount advised.

Underwriting expenses

Underwriting expense include acquisition costs and maintenance expense. Acquisition costs comprise direct and indirect costs associated with the writing of insurance contracts. These include commission expenses and other technical expenses. Maintenance expenses are expenses incurred in servicing existing policies and clients. All underwriting expenses are recognized in the statement of profit or loss as they are incurred.

Management expenses

Management expenses are charged to statement of profit or loss when goods are received or services rendered. They are expenses other than claims, maintenance and underwriting expenses and include employee benefits, depreciation charges and other operating expenses.

w) Basic and diluted earnings per share ("EPS")

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares issued and outstanding during the year, excluding ordinary shares repurchased by the Company and held as treasury shares.

Diluted EPS adjusts common shareholders' net income and the weighted average number of common or equity shares for the effects of all dilutive potential common or equity shares under the assumption that convertible instruments are converted. Diluted EPS is calculated by dividing the adjusted equity holders' net income by the adjusted weighted average number of equity shares outstaning. For convertible instruments, equity sharesholders' net income is increased by the after-tax expense on the convertible instrument while the weighted average equities are increased by the number of equity shares that would be issued at conversion. The Company did not have any convertiable equity shares during the reporting period and hence the Basic EPS only is calculated.

x) Segment reporting

Operating segments are identified and reported in consonance with the internal reporting policy of the Company that are regularly reviewed by the Chief Executive who allocate resources to the segment and assess their performance thereof.

The Company's reportable segments, for management purpose, are organized into business units based on the products and services offered as follows:

- Long Term Business (Individual -Life assurance)
- Short Term Business (Group -Life assurance), and,
- Investment Linked Contracts.

The other segments include corporate shared services and other activities not related to the core business segment and which are not reportable segments due to their immateriality. Certain expenses, finance costs and taxes are not allocated across the segments.

This is the measure used by the Company's Chief Executive, who is the Chief Operating Decision Maker, for the purposes of resource allocation and assessment of segment performance.

Statement of financial position
for the year ended 31 December 2014

	Note	31-Dec-14 N'000	31-Dec-13 N'000
ASSETS			
Cash and cash equivalents	1	391,988	757,517
Financial assets	2	691,354	840,072
Trade receivables	3	78,633	137,169
Reinsurance assets	4	170,687	147,856
Deferred acquisition cost	5	34,606	75,215
Other receivables and prepayments	6	162,650	120,857
Investment in associate	7	283,217	252,671
Investment properties	8	3,874,649	3,647,624
Intangible assets	9	2,748	3,387
Property and equipment	10	172,825	149,279
Employees retirement benefits	11.3	11,350	-
Statutory deposits	12	215,000	215,000
Total assets		6,089,707	6,346,647
LIABILITIES			
Insurance contract liabilities	13	2,222,552	2,055,869
Investment contract liabilities	14	257,963	599,106
Trade payables	15	29,947	97,146
Other payables	16	378,423	368,026
Borrowings	1(c)	2,949	10
Employee benefit liability	11.1	2,935	28,679
Income taxes	18(b)	11,108	19,488
Deferred tax liabilities	19(a)	18,117	19,863
Total liabilities		2,923,994	3,188,187
EQUITY			
Share capital	20(b)	2,161,339	2,161,339
Share premium	21	404,494	404,494
Contingency reserve	22	86,848	63,182
Retained earnings	23	501,168	535,698
Fair value reserves	24(a)	(4,210)	(4,210)
Other reserves-employee benefit actuarial (deficit)/surplus	24(b)	16,074	(2,043)
Total equities		3,165,713	3,158,460
Total equities and liabilities		6,089,707	6,346,647

The financial statements and accompanying notes were approved by the Board of Directors on 17 April 2015 and signed on its behalf by:

Chike Mokwunye	Wale Banmore	Francis Okoli
Chairman	Managing Director/CEO	Chief Financial Officer
(FRC/2013/IODN/00000004071)	(FRC/2013/CIIN/00000003075)	(FRC/2013/ICAN/00000002399)

The accounting policies and accompanying notes on pages 7 to 63 form an integral part of these financial statements.

Statement of profit or loss and other comprehensive income

for the year ended 31 December 2014

	Note	31-Dec-14 N'000	31-Dec-13 N'000
Gross premium written:	25	2,366,568	2,142,457
Unearned premium	25(d)	272,874	(785,920)
Gross premium income	25(b)	2,639,442	1,356,537
Reinsurance expenses	25(c)	(336,544)	(201,465)
Net premium income	25(a)	2,302,898	1,155,072
Fees and commission income	26	35,778	41,894
Net underwriting income		2,338,676	1,196,966
Insurance claims and benefits incurred	27	(906,029)	(696,827)
Insurance claims and benefits incurred - recoverable from reinsurers	28	116,081	115,069
Changes in insurance contract liabilities	29	(290,888)	(56,461)
Underwriting expenses	30	(447,584)	(289,692)
Underwriting profit		810,256	269,055
Profit on investment contracts	31.1	38,999	45,004
Other investment income	31.2	207,897	144,132
Fair value gains	32.1	57,850	233,145
Other operating income	33.1	12,400	29,519
Depreciation on property and equipment	34.1	(41,770)	(34,573)
Impairment on financial assets	34.2	(824)	(10,897)
Employee benefit expenses	34.3	(203,705)	(178,233)
Management expenses	34.4	(718,193)	(366,670)
Results from operating activities		162,909	130,482
Finance costs		-	-
Profit before taxation		162,909	130,482
Income taxes	18(a)	(437)	(21,155)
Minimum Tax	18(a)	(22,042)	(31,300)
Profit for the year		140,430	78,027
Other Comprehensive Income:			
Items that will never be classified in profit or loss			
Net Actuarial gain/(losses)	24(c)	18,117	(2,232)
Items that are or may be classified to profit or loss:			
Fair value gains/(losses) on available for sale quoted equities	24(a)	-	(4,210)
Total other comprehensive income net of tax		18,117	(6,442)
Total comprehensive income for the year		158,547	71,585
Attributable to shareholders			
Earnings per share: Profit for the year			
- Basic and diluted (kobo)	35	0.07	0.03

The accounting policies and accompanying notes on pages 7 to 63 form an integral part of these financial statements.

Statement of changes in equity

as at 31 December 2014

December 2014

	Share capital	Share Premium	Contingency Reserve	Retained Earnings	Actuarial Gain/(Loss) Reserve	Fair value reserves	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
As at 1 January 2014	2,161,339	404,494	63,182	535,698	(2,043)	(4,210)	3,158,460
Other Comprehensive Income							
Profit for the year	-	-	-	140,430	-	-	140,430
Net actuarial gains/losses on defined benefit obligations	-	-	-	-	18,117	-	18,117
Fair value gains/(losses) on available for sale of quoted equities	-	-	-	-	-		-
Total comprehensive income for the year	2,161,339	404,494	63,182	676,128	16,074	(4,210)	3,317,007
Transactions within Equity:							
Transfer to contingency reserves			23,666	(23,666)			
Transactions with Equity owners							
Dividend paid to equity owners	-	-		(151,294)		-	151,294
As at 31-Dec-2014	2,161,339	404,494	86,848	501,168	16,074	(4,210)	3,165,713

December 2013

	Share capital	Share Premium	Contingency Reserve	Retained Earnings	Actuarial Gain/Loss Reserve	Fair value reserves	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
As at Jan 1 2013	2,161,339	404,494	41,757	479,096	189	-	3,086,875
Profit for the year	-	-	-	78,027	-	-	78,027
Net actuarial gains/losses on defined benefit obligations	-	-	-	-	(2,232)	-	(2,232)
Fair value gains/(losses) on available for sale of quoted equities						(4,210)	(4,210)
Total comprehensive income for the year	2,161,339	404,494	41,757	557,123	(2,043)	(4,210)	3,158,460
Transactions within Equity:							
Transfer to contingency reserves	-	-	21,425	(21,425)	-	-	-
As at 31-Dec-2013	2,161,339	404,494	63,182	535,698	(2,043)	(4,210)	3,158,460

The accounting policies and accompanying notes on pages 7 to 63 form an integral part of these financial statements.

Statement of cash flows

for the year ended 31 December 2014

	Note	31-Dec-14 N'000	31-Dec-13 N'000
Profit after tax		140,430	78,027
Taxation		22,479	52,455
Profit before tax		162,909	130,482
Adjustment for:			
Depreciation on property and equipment	10	41,770	34,573
Amortization on intangible assets	9	1,439	763
Fair value (gains)/losses	32.1	(57,850)	(233,145)
Actuarial gains/(losses) on gratuity	24(c)	18,117	(2,232)
Interest income earned		(106,749)	(75,317)
Dividend income earned		(18,084)	(23,821)
Loss on disposal of properties and equipment	34c	794	-
Impairment for doubtful amounts		749	10,214
Net cash flow before changes in working capital		43,096	(158,483)
Changes in working capital:			
Decrease/(Increase) in deferred acquisition cost	5	40,609	(71,715)
Decrease/(Increase) in trade receivables	3	57,787	(42,403)
Decrease/(Increase) in other receivables	6	(41,793)	(84,695)
Decrease/(Increase) in investment in associate	7	(30,546)	-
(Decrease)/Increase in employee benefit liability - asset	11.3	(11,350)	-
Decrease/(Increase) in reinsurance assets	4	(22,831)	(103,571)
(Decrease)/increase in other payables	16	10,397	(147,981)
(Decrease)/Increase in insurance contract liabilities	13	166,683	1,057,661
(Decrease)/Increase in investment contract liabilities	14	(341,143)	25,612
(Decrease)/Increase in trade payable	15	(67,199)	68,043
(Decrease)/Increase in employee benefit liability	11.1	(25,744)	8,751
		(222,034)	551,219
Interest income earned		106,749	75,317
Dividend income earned		18,084	23,821
Corporate tax paid	18b	(32,605)	(25,361)
Net cash from operating activities		(129,806)	624,996
Cash flows from investing activities:			
Purchase of fair value through profit or loss	2(d)	(75,231)	(99,557)
Purchase of AFS investment	2(d)	-	(109)
Purchase of loans and receivables	2(d)	(49,933)	(30,996)
Purchase of properties and equipment	10	(66,576)	(66,096)
Purchase of intangible assets	9	(800)	(800)
Addition/improvement in investment properties	8	(45,855)	(1,788)
Proceeds on disposal of properties and equipment		466	-
Proceed on disposal of investment properties	8	-	41,788
Proceed on disposal, sale or redemption of loans and receivables	2(d)	83,778	430
Proceed on disposal, sale or redemption of FVTPL investment	2(d)	66,783	43,080
Net cash used in investing activities		(87,368)	(114,048)
Cash flows from financing activities:			
Dividend paid	17	(151,294)	-
Net cash used in financing activities		(151,294)	-
Net (decrease)/increase in cash and cash equivalents		(368,468)	510,948
Cash and cash equivalents at beginning of year		757,507	246,559
Cash and cash equivalents at end of year	1(d)	389,039	757,507

The accounting policies and accompanying notes on pages 7 to 63 form an integral part of these financial statements.

Notes to the financial statements

1 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less at the acquisition date. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

1(a)

	31-Dec-14	31-Dec-13
	N'000	N'000
Cash at bank and in hand	96,343	596,405
Other short-term bank deposits (see note 1(b) below)	295,645	161,112
	391,988	757,517

1(b) Other short term bank deposits

	31-Dec-14	31-Dec-13
	N'000	N'000
Short-term placements	289,295	159,904
Other short-term deposits	6,350	1,208
	-	-
	295,645	161,112

1(c) Borrowings

	31-Dec-14	31-Dec-13
	N'000	N'000
Bank overdraft	2,949	10

1(d) For the purpose of cash flow, cash and cash equivalent include:

	31-Dec-14	31-Dec-13
	N'000	N'000
Cash and bank deposit (see note 1(a)) above.	391,988	757,517
Bank overdraft (see note 1 (c)) above	(2,949)	(10)
	389,039	757,507

The bank overdraft is a debit balance in one of the Company's bank accounts arising from a unfunded direct debit order in the sum of N5,100.00 for premium payment initially credited into the Company's bank account (Access Bank) but later reversed by the bank, as well as a debit balance in the Company's books with respect to its current account with Access Bank which was overdrawn as a result of bank charges. The Company also had a credit line with Royal Exchange Microfiance Bank Limited and the book balance as at 31st December 2014 was a debit balance of N2,917,774.

2 Financial assets

The financial assets are categorised by measurement as summarized below :

	31-Dec-14	31-Dec-13
	N'000	N'000
Fair value through profit or loss (FVTPL) - (see note 2(a) below)	447,441	562,314
Available for sale (see note 2(b) below)	91,612	91,612
Loans and receivables (see note 2(c)below)	152,301	186,146
	691,354	840,072

2(a) Financial assets at fair value through profit or loss

	31-Dec-14	31-Dec-13
	N'000	N'000
Equity securities; - listed	442,328	503,230
Treasury bills	5,113	59,084
	447,441	562,314

Current	5,113	59,084
Non-current	442,328	503,230
	447,441	562,314

Equity securities classified in the category as fair value through profit or loss are designated upon initial recognition. There were no financial assets measured at fair value through the profit or loss that were either past due or impaired.

2(b) Available for sale financial assets.

Available for sale financial instruments represent investment in listed and unlisted entities as at year end as shown below:

	31-Dec-14	31-Dec-13
	N'000	N'000
Equity securities; - Unlisted	90,379	90,379
Equity securities; - Listed	9,447	9,447
	99,826	99,826
Allowance for impairment in AFS equities	(4,004)	(4,004)
Changes in fair value (see note 24(a))	(4,210)	(4,210)
	91,612	91,612
Current	-	-
Non current	91,612	91,612
	91,612	91,612

Listed available for sale equities are measured at fair value using the quoted prices in active markets and fair value changes recognised in other comprehensive income while unlisted available for sale equities are measured at cost less any identified impairment losses at the end of each reporting period because there is no active market to determine their fair value. At the reporting date, there was no available for sale equities that was impaired. (31 December 2013: N4,004,000).

An analysis of available for sale equity securities as at year end is as shown below:-

Name of entity	Value of equities N'000	% holding
Sterling assurance	82,530	3.0%
Capital Bancorp	1,716	1.0%
R.E.A Real Property investment	1,449	5.1%
DPMS	1,261	2%
Others	12,870	-
	99,826	

2(c) Loans and Receivables

	31-Dec-14	31-Dec-13
	N'000	N'000
Staff loans	21,759	15,594
Other loans and receivables- bonds (unquoted)	119,645	161,688
Policyholders' loans	10,898	8,864
	152,301	186,146
Allowance for impairment	-	-
	152,301	186,146

2(d) The movement in financial assets is summarized as follows:-

	Fair value through profit and loss N'000	Available for sale N'000	Loans and receivables N'000
As at 31 December 2012	392,657	98,082	155,580
Additions during the year	99,557	109	30,996
Disposal (sales & redemptions)	(43,080)	-	(430)
Fair values gains/ (losses)	113,179	(4,210)	-
Impairment losses	-	(2,369)	-
As at 31 December 2013	562,313	91,612	186,146

Additions during the year	75,231	-	49,933
Disposal (sales & redemptions)	(66,783)	-	(83,778)
Fair values gains/(losses)(see note 31)	(123,320)	-	-
Impairment losses	-	-	-
As at 31 December 2014	447,441	91,612	152,301

2(e) Impairment allowance movement (available for sale)

	31-Dec-14	31-Dec-13
	N'000	N'000
Balance as at start date	4,004	1,635
Addition	-	2,369
Write off	-	-
Balance as at year end	4,004	4,004

2(f) Impairment allowance movement (loans and receivables)

	31-Dec-14	31-Dec-13
	N'000	N'000
Balance as at start date	-	1,099
Addition	-	-
Write off	-	(1,099)
Balance as at year end	-	-

2(g) Hypothecation of assets

	31-Dec-14	31-Dec-13
	N'000	N'000
Policyholders' assets	2,032,287	2,725,520
Equity holders' assets	4,057,420	3,621,127
	6,089,707	6,346,647

Analysis of hypothecated assets
31 December 2014

	Policyholders' Fund	Shareholders' Fund	Total
	N'000	N'000	N'000
Cash and cash equivalents	391,988	-	391,988
Treasury bills	5,113	-	5,113
Government bonds and loans	152,301	-	152,301
Quoted equities	442,328	-	442,328
Unquoted equities	91,612	-	91,612
Trade receivable	78,633	-	78,633
Reinsurance assets	170,687	-	170,687
Deferred acquisition cost	-	34,606	34,606
Other receivable and prepayment	-	162,650	162,650
Investment in associate	-	283,217	283,217
Investment property	699,625	3,175,024	3,874,649
Intangible assets	-	2,748	2,748
Property and equipment	-	172,825	172,825
Employees Retirement Benefits	-	11,350	11,350
Statutory deposit	-	215,000	215,000
	2,032,287	4,057,420	6,089,707

Analysis of hypothecated assets
31 December 2013

	Policyholders' Fund	Shareholders' Fund	Total
	N'000	N'000	N'000
Cash and cash equivalents	757,517	-	757,517
Treasury bills	59,084	-	59,084
Government bonds and loans	174,944	11,202	186,146
Quoted equities	503,230	-	503,230
Unquoted equities	72,417	19,195	91,612
Trade receivable	-	231,779	231,779

Reinsurance assets	-	53,246	53,246
Deferred acquisition cost	-	75,215	75,215
Other receivable and prepayment	5,589	115,268	120,857
Investment in associate	120,000	132,671	252,671
Investment property	1,032,739	2,614,885	3,647,624
Intangible assets	-	3,387	3,387
Property and equipment	-	149,279	149,279
Statutory deposit	-	215,000	215,000
	2,725,520	3,621,127	6,346,647

3 Trade Receivables

Trade Receivables include premium receivables from agents, brokers and other intermediaries via credit notes.

	31-Dec-14 N'000	31-Dec-13 N'000
Due from brokers	19,230	132
Due from Insurance companies (see note 3 (b))	60,153	144,882
Due from policy holders	-	-
	79,382	145,014
Allowance for impairment	(749)	(7,845)
	78,633	137,169

3(a) Movement in Trade receivables

At 1 January	137,169	102,611
Additions during the year	79,382	145,014
Recoveries during the year	(145,014)	(127,686)
Impairment charge /recovered	(749)	(7,845)
Impairment recovered	7,845	-
Write back during the year (see note 33)	-	25,075
At 31 December	78,633	137,169

The ageing analysis of gross insurance receivables as at the end of the year are as follows:

0 - 90 days	79,382	137,169
91-180 days	-	7,845
Above 180 days	-	-
	79,382	145,014

3(b) Due From Insurance Companies

The receivable in the sum of N57,321,506.39 out of the total amount due from Insurance Companies as at 31 December, 2014 has been received subsequent to the year end.

4 Reinsurance assets

This is the reinsurer's share of the Company's insurance liabilities.

	31-Dec-14 N'000	31-Dec-13 N'000
Reinsurance asset (Actuarial valuation)-see note 4a	129,512	53,246
Reinsurer and facultative asset (see note 4b)	41,175	94,610
	170,687	147,856

4a Reinsurance assets (Actuarial valuation)

	31-Dec-14 N'000	31-Dec-13 N'000
Short-term Insurance contract	128,193	51,676
Long-term Insurance contract	1,319	1,570
	129,512	53,246

4b Reinsurance Assets

	31-Dec-14	31-Dec-13
	N'000	N'000
Treaty and Facultative Reinsurance		
Treaty:		
African Reinsurance	4,682	32,998
Continental Reinsurance	9,993	49,496
Facultative Reinsurance:		
WAPIC	2,075	6,058
LASACO	-	4,038
Union Assurance	2,594	1,010
FBN	870	1,010
Zenith Life Assurance	2,426	-
Great Nigeria Insurance	488	-
Mutual Benefit	14,351	-
ARM Life	2,658	-
UBA Metropolitan Life	520	-
Old Mutual	519	-
	41,175	94,610

Reinsurance assets are measured using the amount and assumptions associated with the underlying insurance contracts and in accordance with the terms of each reinsurance contract. The carrying amounts disclosed above approximate the fair value of the reinsurance assets at the reporting date.

5 Deferred acquisition cost

	31-Dec-14	31-Dec-13
	N'000	N'000
At 1 January	75,215	3,500
Additions in the year	34,606	75,215
Amortization in the year	(75,215)	(3,500)
At 31 December	34,606	75,215

6 Other receivables and prepayment

	31-Dec-14	31-Dec-13
	N'000	N'000
Accrued income	37,283	37,020
Due from related parties (see note 6(a) below)	83,618	20,884
Prepayments	51,399	67,277
Other receivables	3,277	683
	175,577	125,864
Impairment for accrued income and other receivables (see note 6 (b) below)	(12,927)	(5,007)
Impairment for due from Related Company	-	-
	162,650	120,857

6a The analysis of receivable from related parties is as shown below:

	31-Dec-14	31-Dec-13
	N'000	N'000
Royal Exchange Plc	68,959	20,884
Royal Exchange Finance and Investment Limited	736	-
Royal Exchange Healthcare Limited	13,923	-
	83,618	20,884

6b Impairment for accrued income and other receivables

At 1 January	5,007	4,324
Additions in the year	8,603	683
Write-off during the year	(683)	-
At 31 December	12,927	5,007

7 Investment in associate

	31-Dec-14	31-Dec-13
	N'000	N'000
Equity Securities; - Unlisted	283,217	252,671
	283,217	252,671

Unlisted investment in associates are measured at cost less any identified impairment losses at the end of each reporting period because there is no active market to determine their fair value. At the reporting date, there was no impairment in investment in associates (31 December 2013: Nil).

The analysis of investments in associates as at year end is as shown below:-

Name of entity	Value of equities N'000	% holding
Royal Exchange Healthcare Limited (REH Ltd)	252,671	37.16%
Royal Exchange Microfinance Bank Limited (REMB Ltd)	30,546	21.60%

The Company's investment in Royal Exchange Healthcare Ltd (REH Ltd) and Royal Exchange Microfinance Bank Ltd exceeds 20% respectively which qualified them as associate companies to be equity accounted for. However, the investment was not accounted for using the equity method as it fully met the exemption criteria stated in IAS 28 paragraph 13 (b & c).

REH Ltd is owned by three (3) entities i.e. Royal Exchange Plc which holds 30%, Royal Exchange General Insurance which holds 33% and Royal Exchange Prudential Life Plc which holds 37%. Royal Exchange Prudential Life Plc and Royal Exchange General Insurance are wholly owned subsidiaries of Royal Exchange Plc; therefore, Royal Exchange Plc indirectly owns 100% of REH Ltd. The ultimate parent (Royal Exchange Plc) produces a financial statement in which it consolidates the results of both the Company and REH Ltd and the financial statements of Royal Exchange Plc are available for public use and complies with IFRSs.

Similarly, REMB Ltd is owned by four (4) entities namely; Royal Exchange Plc holds 53%, Royal Exchange General Insurance Ltd holds 14.60%, Royal Exchange Prudential Life Plc holds 21.60%,and Royal Exchange Finance and Investment Ltd holds 10.80%.Royal Exchange General Insurance Ltd, Royal Exchange Prudential life Plc and Royal Exchange Finance and Asset Management Ltd are wholly owned subsidiaries of Royal Exchange Plc, therefore, Royal Exchange Plc indirectly owns 100% of Royal Exchange Microfinance Bank Ltd.

The ultimate parent (Royal Exchange Plc) produces a financial statement in which it consolidates the results of both the Company and REH LTD as well as REMB Ltd respectively; and the financial statements of Royal Exchange Plc are available for public use and complies with IFRS. The ultimate parent, Royal Exchange Plc, does not object to the Company not applying the equity method.

The financial results of Royal Exchange Healthcare Ltd and Royal Exchange Microfinance are summarized below:

Royal Exchange Healthcare Limited:

	31-Dec-14	31-Dec-13
	N'000	N'000
Total assets	977,239	824,435
Total liabilities	(305,069)	(268,016)
Net assets	672,170	556,419
Profit after taxation	109,767	61,210

Royal Exchange Microfinance Bank Limted:

	31-Dec-14	31-Dec-13
	N'000	N'000
Total assets	287,954	218,073
Total liabilities	(168,132)	(177,776)
Net assets	119,822	40,297
Profit after taxation	13,264	6,204

8 Investment properties

	31-Dec-14	31-Dec-13
	N'000	N'000
At 1 January	3,647,624	3,567,658
Additions and capital improvements	45,855	1,788
Disposals	-	(41,788)
Fair value gains (see note 32)	181,170	119,966
	3,874,649	3,647,624

Investment properties are stated at fair value as at 31 December 2014, and 2013 respectively. The fair value was supplied by market evidence and represents the price that would be received to sell the properties in an orderly transaction between willing market participants at the measurement date and determined by the Financial Reporting Council's accredited professional valuers named Uma Uma & Company, Saibu Makinde & Associates, and Emeka Orji Partnership.

The location of the properties valued and the Financial Reporting Council registration number of each of the independent estate valuers are as follows:

Location	Name of Valuer	FRC Numbers
15A Asa Rd, Aba	Uma Uma & Company	FRC/2013/NIESV/00000004050
Oshodi West	Saibu Makinde & Associates	FRC/2013/NIESV/00000000730
Abuja Commercial	Emeka Orji Partnership	FRC/2013/NIESV/00000000976
Gariki 2 Commercial	Emeka Orji Partnership	FRC/2013/NIESV/00000000976
10, Bayo Kuku Ikoyi	Saibu Makinde & Associates	FRC/2013/NIESV/00000000730

The investment properties located at 15A Asa, Road Aba; Oshodi West; Abuja Commercial and Garki 2 Commercial are in the name of the holding Company, Royal Exchange Assurance Nigeria Plc. Whilst, the property described as Abuja Commercial is up for disposal, on-going processes, as instructed by the Board of Directors, are continuing towards the regularization of titles at the various land registry offices. Also the Holding Company, Royal Exchange Plc, has issued an undertaking to cover any losses which the policy holders may suffer in the event that relevant portions of these properties are not available to meet liabilities when the need arises.

Summary of Investment Properties	31-Dec-14	31-Dec-13
15A Asa Rd, Aba	70,000	74,000
36/38 Apapa-Oshodi Exp Royal Plaza	704,973	690,000
Abuja Commercial CBD Abuja	973,639	939,183
29, Oroago Cresent Garki Abuja	326,037	324,441
10, Bayo Kuku Street, Ikoyi	1,800,000	1,620,000
	3,874,649	3,647,624

Measurement of fair value

Fair value hierachy

The fair value of investment properties was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers valued the property on the basis of open market value as at 31 December 2014.

The fair value measurement for the investment properties of N3.88 billion has been categorised as a Level 3 fair value based on the inputs into the valuation technique used.

	31-Dec-14
	N'000
At 1 January	3,647,624
Additions and capital improvements	45,855
Disposals	-
Fair value gains	181,170
	3,874,649

Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of investment properties, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
The fair values of the investment properties located at 29, Oroago Crescent Garki 11,Abuja and 776 Cadastral Zone A00, Central Business Area was determined by applying the investment method and also depreciated replacement cost (DRC) to derive the open market value. These techniques reflect the cost of putting up same or similar structure based on today's bill of quantities with percentage allowance(s) to reflect depreciation and obsolescence as may be applicable.	The market value of the property located at 29,Oroago Abuja is N326,037,080. The market value of the property located at 776 Cadastral Zone A00 is N973,638,515	The estimated fair values would increase (decrease) if the rate of development in the area increases (decreases), quality of the building increases (decreases), influx of people and/or business to the area increases (decreases).
The fair value of the investment property at 1 Asa road Abia State was determined by employing the Replacement Method to derive the open market value. The technique reflects the cost of acquiring other properties with similar features. Consideration has been given to the current unit cost rate of construction, provision for contingences and fees on land acquisition and improvement.	The property has a market value of N70,000,000 and a Forced sale value of N47,000,000	The estimated fair value would increase (decrease) if the rate of development in the area increases (decreases), quality of the building increases (decreases), influx of people and/or business to the area increases (decreases).
The fair values of the investment properties at 36/38, Apapa Oshodi Expressway Oshodi Lagos and 10 Bayo Kuku Street, Ikoyi Lagos was determined by applying the Investment Basis to derive the Open Market Capital value upon which prospective investor would likely make a bid. The technique reflects the discounted information of the benefits derivable from the property over its useful economic life or the cost of erecting a similar property	The market value of the property located at 36/38, Apapa Oshodi expressway Oshodi is N704,973,000 and an estimated forced sale value of N558,973,092. The market value of the property located at 10 Bayo Kuku street, Ikoyi is N1,800,000,000 and an estimated forced sale value of N1,466,640,000	The estimated fair values would increase (decrease) if the rate of development in the area increases (decreases), quality of the building increases (decreases), influx of people and/or business to the area increases (decreases).

9 Intangible assets

	31-Dec-14	31-Dec-13
	N'000	N'000
Cost		
At 1 January	19,364	18,564
Additions	800	800
Balance at year end	20,164	19,364
Accumulated amortization:		
Balance, beginning of year	15,977	15,214
Charge for the year	1,439	763
Balance at year end	17,416	15,977
Net book value:		
Balance end of year	2,748	3,387
Balance, beginning of year	3,387	3,350

The Intangible assets comprised computer software acquired by the Company for its operation. The computer software is accounted for using the cost model less accumulated amortization and accumulated impairment. The amortization is charged to the income statements in accordance with the Company's policy.

As at 31 December 2014, these assets were tested for impairment, and the Management has determined that no impairment is required of these intangible assets.

10 Property and equipment

	Leasehold buildings	Computer Equipment	Furniture, Fittings	Motor vehicles	Total
	N'000	N'000	N'000	N'000	N'000
Cost					
Balance at 1 January 2014	73,614	22,518	41,435	95,497	233,064
Reclassification	-	(9,000)	-	9,000	-
Additions	-	7,338	2,089	57,150	66,576
Disposals	-	-	-	(9,300)	(9,300)
Balance at 31 December 2014	73,614	20,856	43,524	152,347	290,340
Balance at 1 January 2013	73,614	8,935	24,462	59,957	166,968
Additions	-	13,583	16,973	35,540	66,096
Disposals	-	-	-	-	-
Revaluation	-	-	-	-	-
Balance at 31 December 2013	73,614	22,518	41,435	95,497	233,064

Depreciation *In thousands of Naira*	Freehold buildings	Computer Equipment	Furniture, Fittings	Motor vehicles	Total
Balance at 1 January 2014	11,086	7,599	20,440	44,660	83,785
Reclassification	-	(750)	-	750	-
Charge for the year	1,472	3,158	6,954	30,186	41,770
Disposals				(8,041)	(8,041)
Balance at 31 December 2014	12,558	10,007	27,394	67,556	117,514
Balance at 1 January 2013	9,614	4,886	14,081	20,631	49,212
Charge for the year	1,472	2,713	6,359	24,029	34,573
Disposals	-	-	-	-	-
Balance at 31 December 2013	11,086	7,599	20,440	44,660	83,785
Carrying amounts:					
Balance at 31 December 2014	61,056	10,849	16,130	84,791	172,825
Balance at 31 December 2013	62,528	14,919	20,995	50,837	149,279

(a) The Company had no capital commitments as at the balance sheet date (2013: nil)
(b) The Company performs a revaluation of its property and equipment every 3 -4 years
(c) There were no capitalized borrowing costs related to the acquisition of property and equipment during the year ended 31 December 2014 (2013 : nil).
(d) In the opinion of the directors, the market value of the Company's property and equipment is not less than the value shown in the financial statements.
(e) There was no item of plant and equipment that has been pledged as security for borrowings as at year end (2013 : nil)
(f) An impairment review was conducted and no impairment was required

11 Employees retirement benefits

The Company operates a defined contribution pension plan based on the New Pension Reforms Act 2014, whereby the Company and staff make monthly contribution of 10% and 8% respectively and a defined benefit gratuity plan which is also based on the New Pension Act 2014. In addition, the Company operates a defined benefit gratuity plan based on employee's pensionable and other post-employment remuneration and length of service. The details of the defined benefit plans are as below:

11.1 Employee benefit

	31-Dec-14	31-Dec-13
	N'000	N'000
Gratuity scheme (see note 11.3 below)	15,372	25,836
Long service awards (see note 11.4 (b) below)	2,935	2,843
	18,307	28,679

11.2 Plan assets

Company's asset for:	31-Dec-14	31-Dec-13
	N'000	N'000
Gratuity scheme (See note 11.3)	26,722	-
	26,722	-

11.3 Gratuity benefits

The amounts recognised in the statement of financial position are determined as follows:

	31-Dec-14	31-Dec-13
	N'000	N'000
Present value of funded obligation (see note 11.4 (a) below)	(15,372)	(25,836)
Fair value of plan assets (see note 11.2 above)	26,722	-
Asset in the statement of financial position	11,350	(25,836)
Current	-	-
Non-current	11,350	(25,836)
Asset in the statement of financial position	11,350	(25,836)

11.4(a) Gratuity scheme

The movement in the Company's gratuity scheme over the years is as follows:

	31-Dec-14	31-Dec-13
	N'000	N'000
Beginning of the year	25,836	17,557
Reported in profit or loss:		
Current service cost	3,507	2,948
Interest cost	3,462	2,260
Reported in OCI:		
Curtailment	-	777
Actuarial (gains)/losses	(17,433)	2,294
As at year end	15,372	25,836
Due within 12 months	-	-
Due after 12 months	15,372	25,836
	15,372	25,836

11.4(b) Other long-term employee benefits

The movement in the Company's long service scheme over the years is as follows:

	31-Dec-14	31-Dec-13
	N'000	N'000
Beginning of the year	2,843	2,371
Current service cost	827	690
Interest cost	384	279
Actuarial (gains)/losses	(684)	(62)
Benefits paid	(435)	(435)
As at year end	2,935	2,843

Due after 12 months	2,935	2,843
	2,935	2,843

Gratuity scheme

The principal actuarial assumptions used were as follows:

	31-Dec-14	31-Dec-13
Discount rate	15%	14%
Inflation rate	9%	9%
Future salary increase	12%	12%
Average liability duration	1 year	1.99 years

Other Long-term employee benefits

The principal actuarial assumptions used were as follows:

	31-Dec-14	31-Dec-13
Discount rate	15%	13%
Inflation rate	9%	9%
Future salary increase	12%	12%
Average liability duration	7.74 years	1.99 years

The Company operates defined contribution pension plan based on the new Pension Act 2014. It also operates a defined benefit gratuity plan which is based on employee's pensionable and other post-employment remuneration and length of service for all staff in service as at June 30, 2008. However, the Company discontinued the defined benefit gratuity plan on the date aforementioned and now operates a defined contribution pension plan wholly with effect from 1st July, 2008.

The valuation of the defined benefit gratuity scheme was independently carried out by HR Nigeria Limited with FRC number FRC/NAS/00000000738.

12 Statutory Deposits

This represents the Company's deposit with the Central Bank of Nigeria in compliance with the Insurance Act, CAP 117, LNF 2004 for the Life Insurance companies.

	31-Dec-14	31-Dec-13
	N'000	N'000
Current	-	-
Non Current	215,000	215,000
	215,000	215,000

13 Insurance contract liabilities

	31-Dec-14	31-Dec-13
	N'000	N'000
Outstanding claims - Group life (see note 13(a) below)	421,149	363,613
Outstanding claims - Individual life (see note 13(b) below)	18,532	3,665
Life insurance contract liabilities (see note 13(c)below)	1,782,871	1,688,591
	2,222,552	2,055,869

13(a) Outstanding claims - Group Life

The movement in the provision for outstanding claims during the year was as follows:

	31-Dec-14	31-Dec-13
	N'000	N'000
Beginning of the year	363,613	178,905
Increase during the year	57,536	184,708
As at year end	421,149	363,613

13(b) Outstanding claims - Individual Life

The movement in the provision for outstanding claims during the year was as follows:

	31-Dec-14	31-Dec-13
	N'000	N'000
Beginning of the year	3,665	7,327
Increase/(decrease) during the year	14,867	(3,662)
As at year end	18,532	3,665

Outstanding claims represent the estimated ultimate cost of settling all claims arising from incidents occurring as at the reporting date.
The ageing analysis for claims reported and loss adjusted for life insurance contracts is as stated below:-

Outstanding claims - Group life	421,149	363,613
Outstanding claims - Individual life	18,532	3,665
	439,681	367,278

	31-Dec-14	31-Dec-13
Days	N'000	N'000
0- 90	52,889	162,758
91- 180	50,594	51,616
181-270	65,223	31,088
271-360	99,162	24,004
Above 360	171,813	97,812
	439,681	367,278

13(c) Life insurance contract liability

The movement on the Life funds account during the year was as follows:

	31-Dec-14	31-Dec-13
	N'000	N'000
Beginning of the year	1,688,591	811,976
Increase/(decrease) during the year	367,154	90,695
Unearned premium (see note 13d)	(272,874)	785,920
As at year end	1,782,871	1,688,591

The life insurance contract liability is analyzed as follows:

Risk-based deposit policies	19,707	12,540
Individual life policies	929,574	658,564
Group life policies	774,466	990,695
Additional reserve by Actuary	26,391	26,792
Annuity valuation by Actuary (see 13 (c)(i) below)	32,733	-
	1,782,871	1,688,591

13c(i) Annuity

The annuities were reserved for by using a discounted cash flow approach by the Actuary. Here, reserves are set equal to the present value of future annuity payments plus expenses, with allowance being made for any guaranteed periods as required by the terms of the contract. The assets representing the annuities are invested in near-cash money market financial instruments with a tenor of 30 days on rolling basis.

13(d) Movement of Unearned Premium

	31-Dec-14	31-Dec-13
	N'000	N'000
Balance, beginning of the year	785,920	-
Decrease/(increase) during the year	(272,874)	785,920
Balance, as at year end	513,046	785,920

14 Investment contract liabilities

	31-Dec-14	31-Dec-13
	N'000	N'000
Deposit administered funds (see note 14(a) below)	95,386	433,701
Investment managed funds (see note 14(b) below)	162,577	165,405
	257,963	599,106

14(a) Deposit administered funds

	31-Dec-14	31-Dec-13
	N'000	N'000
Beginning of the year	433,701	427,454
Deposits received in the year	20,490	89,484
Interest paid	5,839	16,094
Withdrawals	(364,644)	(99,331)
As at year end	95,386	433,701
Current	21,004	89,484
Non-Current	74,382	344,217
	95,386	433,701

The Company has a total sum of N95.4 million (2013: N433.7 million) in deposit administered funds with guaranteed interest which has been in existence since 2010.The outstanding balance in the account is attributable to clients who are yet to terminate their investment.

14(b) Investment managed funds

	31-Dec-14	31-Dec-13
	N'000	N'000
Beginning of the year	165,405	146,040
Deposits	172,348	163,251
Interest accrued thereon	5,855	3,353
Withdrawals	(181,030)	(147,239)
As at year end	162,577	165,405
Current	156,577	163,251
Non-current	6,000	2,154
	162,577	165,405

15 Trade payables

	31-Dec-14	31-Dec-13
	N'000	N'000
Reinsurance payables	25,458	25,085
Premium payables to Co-insurers	4,488	72,061
	29,947	97,146

The carrying amount disclosed above approximate fair value at the reporting date. All amounts are payable within one year.

16 Other payables

(a) Other payables comprise the following:

	31-Dec-14	31-Dec-13
	N'000	N'000
Deferred income	2,881	4,265
Accruals	29,423	16,069
Staff payables	108	1,873
Other payables (see note 16 (b) below)	264,135	199,254
Payable to related parties (see note 16 (c) below)	81,876	146,565
	378,423	368,026
Due within 1 - 12 months	225,342	202,347
Due after 12 months	153,081	165,679
	378,423	368,026

(b) The analysis of other payables for year 2014 is as follows:

	31-Dec-14	31-Dec-13
	N'000	N'000
Premium received in advance (see note 16 (d) below)	193,898	95,000
Accrued commissions payable	69,645	56,983
Withholding tax	513	119
Co-operative/thrift savings	61	-
Pay As You Earn (PAYE) tax	15	150
Union dues	3	2
Payable to Royal Exchange Assurance Trustees	-	47,000
	264,135	199,254
Due within 1 - 12 months	262,135	197,254
Due after 12 months	2,000	2,000
	264,135	199,254

(c) The analysis of payable to related parties is as shown below:

	31-Dec-14	31-Dec-13
	N'000	N'000
Royal Exchange General Insurance Limited	81,876	89,450
Royal Exchange Finance and Investment Limited	-	17,617
Royal Exchange Healthcare Limited	-	39,498
	81,876	146,565

(d) The amount represents premium for 2015 financial year received in advance from customers whose contracts have not been incepted at the balance sheet date.

17 Dividend declared

	31-Dec-14	31-Dec-13
	N'000	N'000
Dividend declared	151,294	-
Dividend Paid	(151,294)	-
	-	-

18 Taxation

18(a) Charge for the year

	31-Dec-14	31-Dec-13
	N'000	N'000
Education tax	322	-
Technology Tax	1,861	1,292
Deferred taxation (see note 19 below)	(1,746)	19,863
	437	21,155
Minimum tax	22,042	31,300
	22,479	52,455

18(b) Income tax liability

	31-Dec-14	31-Dec-13
	N'000	N'000
At 1 January	19,488	12,257
Education tax	322	-
Technology Tax	1,861	1,292
Minimum tax	22,042	31,300
Paid during the year	(32,605)	(25,361)
At 31 December	11,108	19,488

18(c) Reconciliation of effective tax rate

		31-Dec-14		31-Dec-13
		N'000		N'000
Profits before income tax		162,909		130,482
Income tax using the domestic corporation tax rate	35%	56,400	30%	39,145
Non-deductible expenses	34%	55,508	51%	66,080
Tax exempt income	-69%	(111,908)	-65%	(85,362)
Education tax	0%	322	0%	-
Technology tax	1%	1,861	1%	1,292
Change in recognised deductible temporary differences	-1%	(1,746)	0%	-
Minimum tax	14%	22,042	24%	31,300
	14%	22,479	40%	52,455

19 Deferred tax

19(a) Deferred tax liabilities

Movement in the deferred tax liabilities during the year:

	31-Dec-14	31-Dec-13
	N'000	N'000
Balance, beginning of year	19,863	19,863
Credit for the year	(1,746)	-
Balance, end of year	18,117	19,863

Deferred tax liability during the year arose mainly from the fair value gain on investment property which was computed at 10% rate applicable to capital gains tax.

19(b) Unrecognized deferred tax assets

Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The Company's deferred tax assets relates primarily to timing difference in the recognition of depreciation and capital allowances on property and equipment, impairment on premium receivables, employee benefit liabilities and unrelieved tax losses are not recognized in these financial statements. This is due to the uncertainty about availability of future taxable profits against which deferred tax assets can be utilized.

The unrecognized deferred tax asset during the year is attributable to the following:

	31-Dec-14	31-Dec-13
	N'000	N'000
Property and equipment	45,790	32,611
Impairment of premium receivables	-	92,689
Employee benefit liabilities	881	8,604
Unrelieved tax losses	393,413	644,554
	440,084	778,458

The movement in the unrecognized deferred tax asset during the year was as follows:

	31-Dec-14	31-Dec-13
	N'000	N'000
Balance, beginning of year	778,458	505,558
(Credit)/charge for the year	(338,374)	272,900
Balance, end of year	440,084	778,458

20 Share capital

Share capital comprises

		31-Dec-14	31-Dec-13
		N'000	N'000
(a)	Authorized share capital		
	3,000,000,000 ordinary share of N1 each	3,000,000	3,000,000
(b)	Issued and fully paid		
	2,161,339,467 ordinary shares of N1 each	2,161,339	2,161,339

21 Share premium

	31-Dec-14	31-Dec-13
	N'000	N'000
Beginning of the year	404,494	404,494
Additions during the year	-	-
As at year end	404,494	404,494

22 Contingency reserve

In compliance with Section 21(1) of Insurance Act 2003, the contingency reserve for life business is credited with the greater of 1% of gross premium or 10% of net profit (whichever is greater) and accumulated until it reaches the amount of the minimum paid-up capital.

	31-Dec-14	31-Dec-13
	N'000	N'000
Beginning of the year	63,182	41,757
Transfer from profit or loss account	23,666	21,425
As at year end	86,848	63,182

23 Retained earnings

The amount represents the retained earnings available for dividend distribution to the equity shareholders of the Company (if approved at the Annual General Meeting). For the analysis of movement in retained earnings, see the 'Statement of Changes in Equity.

24 Other reserves

Other reserves comprises of actuarial gains or losses on employee benefit liabilities and the cumulative net change in the fair value of available-for-sale financial assets until assets are derecognized.

24(a) Fair value reserves

	31-Dec-14	31-Dec-13
	N'000	N'000
Beginning of the year	4,210	-
Fair value (losses)	-	4,210
As at year end	4,210	4,210

24(b) Employee benefit actuarial (deficit)/surplus

	31-Dec-14	31-Dec-13
	N'000	N'000
Gratuity scheme (see note 24(b)i below)	15,224	(2,209)
Long service awards (See note 24(b)ii below)	850	166
	16,074	(2,043)

24(b)(i) Gratuity scheme

	31-Dec-14	31-Dec-13
	N'000	N'000
Beginning of the year	(2,209)	85
Actuarial gains/(losses)	17,433	(2,294)
As at year end	15,224	(2,209)

24(b)(ii) Long service awards

	31-Dec-14	31-Dec-13
	N'000	N'000
Beginning of the year	166	104
Actuarial gains	684	62
As at year end	850	166

24(c) Net actuarial gains /(losses)

	31-Dec-14	31-Dec-13
	N'000	N'000
Gratuity	17,433	(2,294)
Long service awards	684	62
As at year end	18,117	(2,232)

25 Gross premium written:

	31-Dec-14	31-Dec-13
	N'000	N'000
Gross premium written	2,366,568	2,142,457

25(a) Net insurance premium earned

	31-Dec-14	31-Dec-13
	N'000	N'000
Gross Premium Income (see note 25(b))	2,639,441	1,356,537
Reinsurance Expenses (see note 25(c))	(336,544)	(201,465)
	2,302,897	1,155,072

25(b) Gross Premium Income

	31-Dec-14	31-Dec-13
	N'000	N'000
Long-term insurance contract	485,248	359,030
Short-term insurance contract	2,154,193	997,507
	2,639,441	1,356,537

25(c) Reinsurance expenses

	31-Dec-14	31-Dec-13
	N'000	N'000
Insurance Premium ceded to reinsurers	336,544	201,465
Net Reinsurance expenses	336,544	201,465

25(d) Movement in unearned premium

	31-Dec-14	31-Dec-13
	N'000	N'000
At 1 January	785,920	-
(Decrease)/increase during the year	(272,874)	785,920
As at 31 December	513,046	785,920

26 Fees and commission

	31-Dec-14	31-Dec-13
	N'000	N'000
Fee income on insurance contracts	35,778	41,894
	35,778	41,894

27 Insurance claims and benefits incurred

	31-Dec-14	31-Dec-13
	N'000	N'000
Short term insurance contracts	747,318	469,853
Long term insurance contracts	86,307	45,929
Increase in outstanding claims - short term liabilities	57,536	184,707
Increase /(decrease) in outstanding claims - long term liabilities	14,867	(3,662)
	906,029	696,827

27(a) Analysis of claims paid with respect to short term Insurance contracts comprises the following:

	31-Dec-14	31-Dec-13
	N'000	N'000
Death Claims /benefits paid	747,318	469,853

27(b) Analysis of claims paid with respect to long term Insurance contracts comprises the following:

	31-Dec-14	31-Dec-13
	N'000	N'000
Maturities	73,445	36,424
Surrenders	9,705	7,605
Deaths	3,157	1,900
	86,307	45,929

27(c) Movement in outstanding claims

	31-Dec-14	31-Dec-13
	N'000	N'000
Increase in outstanding claims - short term Liabilities	57,536	184,707
Increase /(decrease) in outstanding claims - long term Liabilities	14,867	(3,662)

28 Insurance claims and benefits incurred - recoverable from reinsurers

	31-Dec-14	31-Dec-13
	N'000	N'000
Claims recoverable from short term insurance contracts ceded to reinsurers	116,081	115,069
	116,081	115,069

29 Changes in insurance contracts liabilities

	31-Dec-14	31-Dec-13
	N'000	N'000
Increase in long term insurance contract liabilities	310,509	231,917
Decrease in short term insurance contract liabilities	(19,621)	(175,456)
	290,888	56,461

30 Underwriting expenses (maintenance and other acquisition costs)

	31-Dec-14	31-Dec-13
	N'000	N'000
Maintenance cost	257,861	160,822
Acquisition cost (see note 30 (a) below)	189,723	128,870
	447,584	289,692

30(a) Acquisition cost:
Direct cost incurred on the acquisition of the various products include:

	31-Dec-14 N'000	31-Dec-13 N'000
Commission on Individual Life Account	4,135	5,859
Commission on Group Life Account	145,558	95,090
Commission on Royal Products	5,177	4,320
Commission on Royal Investment Plan	15,153	11,632
Commission on Royal Annuity Plan	1,708	73
Commission on Royal Tuition Plan	22	9
Commission on Royal Heritage Plan	17,907	11,797
Commission on Royal Family Plan	7	24
Commission on Royal Funeral Plan	56	66
	189,723	128,870

31.1 Profit on investment contracts

	31-Dec-14 N'000	31-Dec-13 N'000
Income from investment contracts (See note 31.1 (a) for details)	61,784	72,974
Guaranteed interest	(11,693)	(19,446)
Investment management expenses	(11,092)	(8,524)
	38,999	45,004

31.1 (a) Income from investment contracts

	31-Dec-14 N'000	31-Dec-13 N'000
Rental income from investment	43,700	49,153
Dividend income from FVTP	18,010	15,531
Dividend income from AFS	74	8,290
	61,784	72,974

31.2 Other investment income

	31-Dec-14 N'000	31-Dec-13 N'000
Income on disposal of equities (FVTP & AFS)	98,316	62,000
Interest income on treasury bills - FVTPL	2,833	6,815
Loans and receivables interest income (Bonds)	19,766	20,756
Cash and cash equivalents interest income	86,564	54,561
Income on annuity	418	-
	207,897	144,132

31.3 Share of Investment income.
The Investment income attributable to policyholders and shareholders for year 2014 and 2013 respectively are as follows:

31 December 2014	Policy Holder N'000	Share holder N'000	Total N'000
Rental income from investment properties	23,700	20,000	43,700
Interest income (from FVTP designated upon initial recognition)	(1,684)	100,000	98,316
Interest income on treasury bills - FVTPL	27	2,806	2,833
Dividend income (from FVTP designated upon initial recognition)	18,010	-	18,010
Dividend income (from AFS)	74	-	74
Loans and receivables interest income	-	19,766	19,766
Cash and cash equivalents interest income	4,944	82,038	86,982
	45,071	224,611	269,681

31 December 2013	Policy Holder N'000	Share holder N'000	Total N'000
Rental income from investment properties	10,823	38,330	49,153
Interest income (from FVTP designated upon initial recognition)	56,149	5,851	62,000
Interest income on treasury bills - FVTPL	6,815		6,815
Dividend income (from FVTP designated upon initial recognition)	15,531	-	15,531
Dividend income (from AFS)	-	8,290	8,290
loans and receivables interest income	-	20,756	20,756
Cash and cash equivalents interest income	36,010	18,550.74	54,561
	125,328	91,778	217,106

32.1 Fair value gains and losses on assets

	31-Dec-14 N'000	31-Dec-13 N'000
Net fair value gains on investment properties	181,170	119,966
Financial assets at fair value through profit or loss	(123,320)	113,179
	57,850	233,145

33.1 Other operating income

	31-Dec-14 N'000	31-Dec-13 N'000
Unrealized foreign exchange gain	2,373	456
Recoveries on previously written off trade receivables	-	25,075
Sundry Income (see note 33(a) below)	10,027	3,988
	12,400	29,519

33(a) Sundry income

	31-Dec-14 N'000	31-Dec-13 N'000
Assignment fees from financial advisory	1,889	2,485
Service charge for investment property	-	563
Interest on personal loan	8,137	940
	10,027	3,988

34.1 Depreciation on property and equipment

	31-Dec-14 N'000	31-Dec-13 N'000
Depreciation on property and equipment	41,770	34,573

34.2 Impairment on financial assets

	31-Dec-14 N'000	31-Dec-13 N'000
Impairment on trade (premium) receivables	749	7,845
Impairment on trade (premium) receivables (recovered)	(7,845)	-
Impairment on other receivables	8,603	683
Impairment on other receivables (recovered)	(683)	-
Impairment on available for sales	-	2,369
	824	10,897

34.3 Employee benefits expenses

	31-Dec-14	31-Dec-13
	N'000	N'000
Salaries and Wages	168,390	146,256
Medical	7,601	15,280
Staff Training	19,402	9,956
Post-employments benefit - defined contribution plan	8,312	6,741
	203,705	178,233

(i) The average number of persons employed (excluding Directors) in the Company during the year was:

	31-Dec-14	31-Dec-13
Average number of persons employed (excluding Directors)	66	57

The staff costs for the above persons was:

	31-Dec-14	31-Dec-13
	N'000	N'000
Salaries and Wages	204,545	210,874
Pension cost	8,312	6,741
	212,857	217,615
Pension Scheme		
At January		
Provision in the year	8,312	6,741
Remitted to Pension Fund Administrators	(8,312)	(6,741)
At 31 December	-	-

(ii) Employees other than directors, whose duties were wholly or mainly discharged in Nigeria, received emoluments excluding pension contributions and other benefits/allowances in the following ranges:

	31-Dec-14	31-Dec-13
Below N1,000,000	1	-
N1,000,001 - N2,000,000	33	24
N2,000,001 - N3,000,000	18	19
N3,000,001 and above	14	14
	66	57

34.4 Management expenses

	31-Dec-14	31-Dec-13
	N'000	N'000
Management expenses (see note 34.4 (a) below)	19,799	24,463
Other operating expenses (see note 34.4 (b) below)	698,393	342,207
	718,193	366,670

34.4(a) Management expenses

	31-Dec-14	31-Dec-13
	N'000	N'000
Amortization of intangible assets	1,439	763
Auditors remuneration	5,000	4,500
Retirement benefit obligation - long service award	1,211	534
Retirement benefit obligation-gratuity	6,969	5,985
Directors expenses	5,180	12,681
	19,799	24,463

34.4 (b) Other Operating Expenses

Other Operating Expenses are made up of the following items:

	31-Dec-14	31-Dec-13
	N'000	N'000
Advertising	5,688	9,867
Office equipment & motor vehicles repairs & maintenance	179,126	50,108
Entertainment and representation	8,986	12,504
Foreign and local transport	137,594	64,360
Accounting consultancy fees, legal fees and actuaries fees	38,531	16,438
Insurance levy	37,857	12,922
Board meeting expenses	10,832	7,611
Insurance premium and administrative expenses	148,090	56,656
Printing and communication cost	26,961	26,499
Investment expenses	103,934	85,242
Loss on disposal of fixed asset	794	-
	698,393	342,207

35 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year. Diluted earnings per share is computed by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding after adjusting the effects of all dilutive ordinary shares, of which there currently are none in existence.

	31-Dec-14	31-Dec-13
	N'000	N'000
Income attributable to shareholders	158,547	71,585
Weighted average number of ordinary shares in issue (thousands)	2,161,339	2,161,339
Basic and diluted earnings per share (kobo per share)	0.07	0.03

There are no shares which had a dilutive impact as at the year end, therefore, the diluted and basic shares are the same.

36 Valuation of insurance contract liabilities

36(a) Long-term insurance contracts

The liability for life insurance contracts and investment contracts is based on certain assumptions including mortality, persistency, longevity, interest rate, morbidity, expense (including inflation) variations, lapses and investment returns.

All contracts are subject to liability adequacy test which is carried periodically by a Financial Reporting Council's accredited Consultant Actuaries. The Company's mortality valuation is based on the industry standard rate of the UK 's Mortality of Assured Lives 1967-70 (A6770). The annuities were valued using the UK's PA90 Annuitants table.

36(b) Valuation Assumptions

The assumptions used for the insurance contracts disclosed in this note include:

(i) The rate of interest used in the valuation is 14.75% (2013:12.5%), with the exception of annuity business for which a valuation interest of 14.25% (2013:12%) was used;

(ii) Expenses for individual life business were reserved for explicitly at N15,000 (2013: N8,500) p.a. increasing with inflation at 8% p.a. for both years; the expenses for annuity business is reserved at 14.25% (2013:3%) of the annuity payment.

(iii) Reversionary bonuses are allotted in respect of each full year's premium paid; reversionary bonuses vest on the policy

(iv) The solvency level of the Company at the valuation date was 87.2%;

(v) The investment yields (including capital appreciation and depreciation) allocated into the Life Insurance (with participation in profit) and deposit administration funds during the inter-valuation period are 2014 illustrated below:

Year	Rate
2012	2.9
2013	15.2
2014	2.6
Mean	6.7

36(c) Valuation methods

The Company uses the industry acceptable Mortality Table of standard measures determined by the Actuary according to the type of contract written.

(i) Individual Business

A gross premium method is used for individual risk business. This is a monthly cash flow projection approach taking into account the incidence of all expected future cash flows including office premiums, expenses and benefit payments satsifying the liability adequacy test. Individual risk business comprises whole life insurance, endowments of various descriptions and term assurances including mortgage protection.

Reserves were calculated via a cash flow projection approach, taking into account future office premiums, expenses and benefit payments including an allowance for rider benefits. Future cash flows were discounted back to the valuation date at the valuation rate of interest. Where policies are entitled to surrender, reserves have been calculated such that they are at least as high as the surrender value.

The reserve for the individual deposit based policies has been taken as the amount standing to the credit of the policyholder at the valuation date. Where policies have active insurance cover (and the corresponding risk premiums where applicable), reserves have been calculated using a cash flow projection approach similar to other individual risk business.

Under the deposit-based products a variable rate of return is allocated to policyholder accounts in accordance with the terms and conditions of each product.

(ii) Group life business

The valuation of the life insurance contract liability as well as the investment contract liabilities was done by HR Nigeria Limited (Consultant Actuaries) using the gross premium method of valuation for the former and the amount standing to the credit of the policyholder at the valuation date for the latter.

An unexpired premium reserve was included for group life business, after allowing for acquisition expenses at a ratio of 20% premium (2013: 20%). The UPR was tested against Additional Unexpired Risk Reserve (AURR), using pooled industry claims data for the underlying assumption wherein an additional AURR was also held to allow for any inadequacies in the unexpired premium for meeting claims in respect of the unexpired period.

An allowance was made for IBNR (Incurred But Not Reported) claims in group life to take care of the delay in reporting claims. This was based on a Loss Ratio approach which uses historical claims experience to estimate the ultimate claim rates from which IBNR portion is determined.

The gross carrying amount for long term life insurance contract liabilities at the reporting date is N1,008.4 million (2013: N697.9 million) and of investment contract liabilities is N257.8 million (2013: N599.1million).

Short-term insurance contract

The liability adequacy test (LAT), was also carried out by HR Nigeria Ltd (Consultant Actuaries).

The Gross carrying amount at the reporting date for short-term contract liabilities is N774.5 million (2013: N990.6 million).

(iii) Annuities

Annuities were reserved for by using a discounted cash flow approach. Here reserves are set equal to the present value of future annuity payments plus expenses, with allowance being made for any guaranteed periods as required by the terms of the contract.

36(d) Valuation of investment contracts liabilities without Discretionary Participating Features

The liability for non-participating investment contracts is measured either at fair value or amortized cost. Most non-participating contracts measured at fair value are unit linked and the fair value liability is determined by reference to the assets backing the liabilities. A deferred acquisition cost asset and deferred income liability are recognized in respect of transaction costs and front end fees respectively, that relate to the provision of investment management services, and are amortized over the contract term.

36(e) Valuation of post-employment benefit obligation

The cost and the present value of gratuity plan and the long service award are determined periodically. The valuation involves making assumptions about discount rates, future salary increases, and expected years in employment. The valuation of the defined benefit obligations is highly sensitive to changes in these underlying assumptions. All assumptions are reviewed at each reporting date.

The valuation of the gratuity and long service awards scheme was carried out by HR Nigeria Limited (Consultants Actuaries) for each period reported in the financial statement, using the Projected Unit Credit (PUC) method to establish the value of the accrued liabilities.

The principal actuarial assumptions used were as follows:

Gratuity

	31-Dec-14	31-Dec-13
Discount rate	15%	13.5%
Inflation rate	9%	9%
Future salary increase	12%	12%
Average Liability duration	1 year	1.99 years

Long Service Award

	31-Dec-14	31-Dec-13
Discount rate	15%	13.5%
Inflation rate	9%	9%
Future salary increase	12%	12%
Average Liability duration	7.74 years	1.99 years

The mortality rates assumed for the employees are the rates published in the A67/70 Ultimate Tables published jointly by the Institute and Faculty of Actuaries in the UK.

The carrying value at the reporting date of the employee benefits obligation is N18.3 million (2013: N28.7 million).

37 Measurement of financial assets

The directors use their judgment in selecting an appropriate valuation technique for some financial assets. Where possible, financial instruments are marked at prices quoted in active markets. In the current market environment, such price information is typically not available for all instruments and the Company uses valuation techniques to measure such instruments. These techniques use "market observable inputs" where available, derived from similar assets in similar and active markets, from recent transaction prices for comparable items or from other observable market data. For positions where observable reference data are not available for some or all parameters the Company estimates the non-market observable inputs used in its valuation models. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument.

Other financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates although some assumptions are not supported by observable market prices or rates.

38 Impairment of financial and non- financial assets

Management judgment is required to assess and determine the amount of impairment for financial assets carried at amortized costs as well as the amount of impairment for trade receivables. The significant estimates and judgments applied in assessing the impairment on financial assets are as shown in the statement of accounting policies note 3(d) (iv) and (vi).

39 Measurement of financial liabilities

Financial, liabilities comprises bonds, trading liabilities, redeemable non-participating preference shares, policyholders' liabilities under investment contracts.

Financial liabilities are initially recognized at fair value, net of transaction costs that are directly attributable to the raising of the funds.

The fair value of financial liabilities is determined using discounted cash flow techniques. Estimated future cash flows are based on management's best estimates and the discount rate used is a market-related rate for a similar instrument adjusted for the credit risk of the Company.

The measurement of policyholders' liabilities under investment contracts is described in Note 37 above.

40 Financial risk management

Factors relating to general economic conditions, such as consumer spending, business investment, government spending, the volatility and strength of both debt and equity markets, and inflation, all affect the profitability of businesses in Nigeria.

In a sustained economic phase of low growth, characterized by higher unemployment, lower household income, lower corporate earnings, lower business investment and lower consumer spending, the demand for financial and insurance products could be adversely affected.

Our risk management process includes the identification and measurement of various forms of risk, the establishment of risk thresholds and the creation of processes intended to maintain risks within these thresholds while optimizing returns on the underlying assets and minimizing costs associated with liabilities. Risk range limits are established for each type of risk, and are approved by the Board's Investment Committee and subject to ongoing review.

The Company's risk management strategy is an integral part of managing the Company's core businesses, and utilizes a variety of risk management tools and techniques such as:

- Measures of price sensitivity to market changes (e.g., interest rate, and foreign exchange rate);
- Asset/liability management;
- Periodic Internal Audit and Control, and;
- Risk management governance, including risk oversight committee, policies and guidelines, and approval limits.

In addition, the Company monitors and manages the financial risks relating to the operations of the organization through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk.

a) Financial asset valuation bases

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values are determined at prices quoted in active markets. In our environment, such price information is typically not available for all instruments and the Company applies valuation techniques to measure such instruments. These valuation techniques make maximum use of market observable data but in some cases management estimate other than observable market inputs within the valuation model. There is no standard model and different assumptions would generate different results.

Fair values are subject to a control framework designed to ensure that input variables and output are assessed independent of the risk taker. These inputs and outputs are reviewed and approved by a valuation committee. The Company has minimal exposure to financial assets which are valued at other than quoted prices in an active market.

	31-Dec-14	31-Dec-13
	N'000	N'000
Quoted prices in active markets (level 1)	447,441	562,314
Valuation technique:		
Market observable data (level 2)	-	-
Other than observable market data (level 3)	-	-
	447,441	562,314

Fair value measurements are recognized in the statement of financial position.

Fair value hierarchy

IFRS 13 - Fair value measurement specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable input reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs), This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, analyzed into Levels 1 to 3 based on the degree to which the fair value is observable.

31 December 2014	Level 1 N'000	Level 2 N'000	Level 3 N'000	Total N'000
Financial Assets:				
Fair value through profit or loss:-				
Equity shares	442,328	-	-	442,328
Treasury bills	5,113	-	-	5,113
	447,441	-	-	447,441
Available for sale financial assets:-				
Equity Shares	9,447	90,379	-	99,826
Total Financial Assets	456,888	90,379	-	547,267
Financial Liabilities:	-	-	-	-
Total financial liabilities	-	-	-	-

31 December 2013	Level 1 N'000	Level 2 N'000	Level 3 N'000	Total N'000
Financial Assets:				
Fair value through profit or loss:-				
Equity shares	503,230	-	-	503,230
Treasury bills	59,084	-	-	59,084
	562,314	-	-	562,314
Available for sale financial assets:-				
Equity Shares	9,447	90,379	-	99,826
Total	571,761	90,379	-	662,140
Financial liabilities:	-	-	-	-
Total financial liabilities	-	-		-

The following table provides an analysis of financial instruments that are not measured subsequent to initial recognition at fair value, analyzed into Levels 1 to 3 based on the degree to which the fair value is observable.

31 December 2014	Level 1 N'000	Level 2 N'000	Level 3 N'000	Total N'000
Financial Assets:				
Cash and cash equivalents	-	391,988	-	391,988
Statutory deposits	-	215,000	-	215,000
Equity shares	-	-	90,379	90,379
Loans and receivables	-	-	32,656	32,656
Total	-	606,988	123,035	730,023
Financial liabilities:	-	-	-	-
Total financial liabilities	-	-	-	-

31 December 2013	Level 1 N'000	Level 2 N'000	Level 3 N'000	Total N'000
Financial Assets:				
Cash and cash equivalents	-	757,517	-	757,517
Statutory deposits	-	215,000	-	215,000
Equity shares	-	-	90,379	90,379
Loans and receivables	-	-	24,458	24,458
Total	-	972,517	114,837	1,087,354
Financial liabilities:	-	-	-	-
Total financial liabilities	-	-	-	-

b) Financial risks

The Company is exposed to the following categories of risk arising from the provision of different products and services which include the following:

(i) *Market risk*

The Company is exposed to the risk that the income from, and value of assets held to back insurance liabilities do not perform in line with investment and product pricing assumptions leading to a mismatch with contractual cash flows.

(ii) *Credit risk*

Exposure to loss arising from another party's failure to perform some financial obligations to the Company.

(iii) *Liquidity risk*

The risk that the Company, though solvent, either does not have sufficient financial resources available to enable it to meet its obligations as they fall due, or can secure required funds only at excessive cost.

(iv) *Interest rate risk*

This is the risk of exposures to the volatility of interest rates. It is the risk of the value or future cash flows of financial instruments being affected by changes in interest rates.

(v) *Currency risk*

This is the risk of the fair value of financial instruments being affected by changes in foreign exchange rates.

The Company seeks to manage its exposures to risk through control techniques which ensure that the residual risk exposures are within acceptable tolerances agreed by the Board. A description of the risks associated with the Company's principal products and the associated control techniques is detailed below.

Foreign Currency risk

The Company accepts receipt of premiums in foreign currency, in addition to Naira, from its clients; hence, exposures to exchange rate fluctuations arise. The Company is exposed to foreign currency denominated in dollars through a domiciliary bank balance.

The Company has minimal exposure to currency risk as the Company's financial assets are primarily matched to the same currencies as its insurance and investment contract liabilities. As a result, foreign exchange risk arises from other recognized assets and liabilities denominated in other currencies.

The carrying amounts of the Company's foreign currency denominated assets and liabilities are as follows:

31 December 2014

	Pounds sterling N'000	Euro N'000	US Dollars N'000	Total N'000
Assets (Cash & Cash Equivalent)	-	-	37,193	37,193
Liabilities	-	-	-	-
	-	-	37,193	37,193

31 December 2013

	Pounds sterling N'000	Euro N'000	US Dollars N'000	Total N'000
Assets (Cash & cash equivalent)	-	-	14,800	14,800
Liabilities	-	-	-	-
	-	-	14,800	14,800

Foreign currency sensitivity analysis

The following table details the Company's sensitivity to a 10% increase and decrease in the US Dollars against the Naira. A 10% sensitivity rate is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. For each sensitivity scenario, the impact of change in a single factor is shown, with other assumptions or variables held constant.

The following tables show the effect on the profit as at 31st December 2014 at N167.5/$ closing rate and as at 31st December 2013 atN155.2/$ closing rate respectively.

31 December 2014

	Pounds sterling N'000	Euro N'000	US Dollars N'000	Total N'000
10% increase	-	-	3,719	3,719
10% decrease	-	-	(3,719)	(3,719)
Impact of increase on:				
Pre-tax Profit	-	-	166,628	166,628
Shareholders' Equity	-	-	3,194,829	3,194,829
Impact of decrease on:				
Pre-tax Profit	-	-	159,190	159,190
Shareholders' Equity	-	-	3,187,391	3,187,391

31 December 2013

	Pounds sterling N'000	Euro N'000	US Dollars N'000	Total N'000
10% increase	-	-	1,480	1,480
10% decrease	-	-	(1,480)	(1,480)
Impact of increase on:				
Pre-tax (loss)	-	-	131,962	131,962
Shareholders' Equity	-	-	3,159,940	3,159,940
Impact of decrease on:				
Pre-tax (loss)	-	-	129,002	129,002
Shareholders' equity	-	-	3,156,980	3,156,980

Interest rates risk

Our exposure to interest rate risk relates primarily to the market price and cash flow variability of assets and liabilities associated with changes in interest rates.

The assets that subject us to interest rate risk primarily are fixed maturity securities and fixed-interest policy loans. Interest rate risk also exists in some products sold by the Company such as policyholder account balances relating to interest-sensitive life assurance and investment-type contracts.

Changes in interest rates result to reduction in income 'spread' or the difference between the amounts that we are required to pay under the contracts and the rate of return we are able to earn on investments intended to support obligations under the contracts. Investment spread is, arguably, one of the key components of the net income of insurers.

Our mitigation efforts with respect to interest rate risk are primarily focused on maintaining an investment portfolio with diversified maturities that has a weighted average duration or tenor approximately equal to the duration of our liability cash flow profile.

Also, the Company manages this risk by adopting close asset/liability matching criteria, to minimize the impact of mismatches between asset and liability values arising from interest rate movements.

Furthermore, we use sensitivity analytics to measure the impact of interest rate changes and movements on the value of our financial assets scenarios.

The Company has no significant concentration of interest rate risk.

Interest rate profile

At the end of the reporting period the interest rate profile of the Company's interest bearing financial instruments as reported to the Management of the Company are as follows:

Financial instruments	31-Dec-14 N'000	31-Dec-13 N'000
Cash and cash equivalents	295,645	161,112
Financial assets	157,414	245,230
Borrowings	(2,949)	(10)
	450,110	406,332

Interest rate sensitivity analysis

The table below shows the impact on the Company's profit before tax if interest rates on financial instruments had increased or decreased by 100 basis points, with all other variables held constant.

	31-Dec-14	31-Dec-13
	N'000	N'000
Increase in interest rate by 100 basis points (+1%)	4,501	4,063
Decrease in interest rate by 100 basis point (-1%)	(4,501)	(4,063)
Impact of increase on:		
Pre-tax profit/(loss)	167,410	134,545
Shareholders' Equity	3,170,214	3,162,523
Impact of decrease on:		
Pre-tax profit/(loss)	158,408	126,419
Shareholders' Equity	3,161,212	3,154,397

Other price risk management

The Company is exposed to equity price risks arising from equity investments primarily from investments not held for unit-linked business. The shares included in financial assets represent investments in listed and unlisted securities that present the Company with opportunity for return through dividend income and capital appreciation.

Equity investments designated as available-for- sale are held for strategic rather than trading purposes. The Company has no significant concentration of price risk.

The carrying amounts of the Company's equity investments are as follows:

	31-Dec-14	31-Dec-13
	N'000	N'000
Equity securities; - listed	451,775	512,677
Equity securities; - unlisted	90,379	90,379
	542,154	603,056

Equity price sensitivity analysis

The sensitivity analyses set out below show the impact of a 10% increase and decrease in the value of equities on profit before tax and shareholders' equity based on the exposure to equity price risk at the reporting date.

	31-Dec-14	31-Dec-13
	N'000	N'000
10% increase	54,215	60,306
10% decrease	(54,215)	(60,306)
Impact of increase on:		
Pre-tax profit/(loss)	217,124	190,788
Shareholders' equity	3,219,928	3,218,766
Impact of decrease on:		
Pre-tax profit/(loss)	108,694	70,176
Shareholders' equity	3,111,498	3,098,154

Credit risk

Credit risk refers to the risk that counterparties will default on their contractual obligations resulting in financial loss to the Company. The key areas of exposure to credit risk for the Company are in relation to its investment portfolio, reinsurance program and amounts due from policyholders' policy loans and receivables from Co-assurers, Reinsurers and other intermediaries.

The Company has adopted a policy of dealing with only creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company transacts with only entities that have an investment grade rating and above.

This information is supplied by independent rating agencies, where available, and if not available, the Company uses other publicly available financial information and its own trading records to rate its major policyholders and reinsurers.

The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee periodically.

The Company does not have any significant credit risk exposure to any single counterparty or any Company of counterparties. Concentration of credit, otherwise known as single obligor credit, did not exceed 5% of gross monetary assets at any time during the year. The credit risk on liquid funds and other near cash financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The majority of debt securities are investment grade and the Company has very limited exposure to sub-standard credits.

Reinsurance assets are reinsurers' share of outstanding claims, Life fund and reinsurance receivables. They are allocated below on the basis of ratings for claims paying ability.

Loans and receivables from policyholders, agents and intermediaries generally do not have a credit rating. Unit-linked assets are excluded from this analysis.

The following table shows aggregated credit risk exposure for assets with external credit ratings:-

31 December 2014

	AAA	AA	A	BBB	Not rated	Carrying amount
	N'000	N'000	N'000	N'000	N'000	N'000
Debt securities:-						
- Federal Govt.	5,113	-	-	-	-	5,113
- State Govt.	-		6,927	-	-	6,927
- Corporate	-	112,718	-	-	-	112,718
Loans and receivables:						
- Corporate Loans	-	-	-	-	-	-
- Individual Loans	-	-	-	-	20,183	20,183
- Mortgage Loans	-	-	12,472	-	-	12,472
Reinsurance Receivables:						
Reinsurance Assets	-	-	-	170,687	-	170,687
Insurance receivables	-	-	-	78,633	-	78,633
Tenor Deposits	-	-	-	-	295,645	295,645
Cash and cash equivalents	-	-	-	96,343	-	96,343
	5,113	112,718	19,399	345,663	315,828	798,721

31 December 2013

	AAA	AA	A	BBB	Not rated	Carrying amount
	N'000	N'000	N'000	N'000	N'000	N'000
Debt securities:-						
- Federal Govt.	59,084	-	-	-	-	59,084
- State Govt.	-	52,538	12,973	-	-	65,511
- Corporate	-	96,177	-	-	-	96,177
Loans and receivables:						-
- Corporate Loans	-	-	-	-	-	-
- Individual Loans	-	-	-	-	11,202	11,202
- Mortgage Loans	-	-	18,844	-	-	18,844
Reinsurance Assets	-	-	-	147,856	-	147,856
Insurance receivables	-	-	-	137,169	-	137,169
Tenor Deposits		-	-	-	161,112	161,112
Cash and cash equivalents	-	-	-	596,405	-	596,405
	59,084	148,715	31,817	881,430	172,314	1,293,360

RATING SYMBOLS

AAA	These are investments with the highest investment quality or grade.
AA	These are investments with strong financial characteristics but slightly lower than AAA.
A	These are investments with moderate quality which are likely to be affected by adverse business conditions.
BBB	These are good quality investments but are likely to be affected by adverse business conditions

The following table shows the carrying value of assets that are neither past due nor impaired, the ageing of assets that are past due but not impaired and assets that have been impaired. Unit linked investment assets are excluded from this analysis.

31 December 2014

	Neither past due nor impaired N'000	Past due less 30 days N'000	Past due 31-90 days N'000	Past due more than 90 days N'000	Past due and impaired N'000	Carrying amount N'000
Debt securities:-						
- Federal Govt.	5,113	-	-	-	-	5,113
- State Govt.	6,927	-	-	-	-	6,927
- Corporate	112,718	-	-	-	-	112,718
Loans and receivables:						
- Individual Loans	14,518	-	-	5,665	-	20,183
- Mortgage Loans	12,472	-	-	-	-	12,472
Reinsurance Receivables						
Reinsurance Assets	-	150,872	-	53,246	-	204,118
Insurance receivables	21,311	749	57,322	-	-	79,382
Tenor Deposits	295,645	-	-	-	-	295,645
Cash and cash equivalents	96,343	-	-	-	-	96,343
	565,047	151,621	57,322	58,911	-	832,901

31 December 2013

	Neither past due nor impaired N'000	Past due less 30 days N'000	Past due 31-90 days N'000	Past due more than 90 days N'000	Past due and impaired N'000	Carrying amount N'000
Debt securities:-						
- Federal Govt.	59,084	-	-	-	-	59,084
- State Govt.	65,511	-	-	-	-	65,511
- Corporate	96,177	-	-	-	-	96,177
Loans and receivables:						
- Individual Loans	6,111	2,000	-	3,091	-	11,202
- Mortgage Loans	18,844	-	-	-	-	18,844
Reinsurance Assets	-	34,233	81,393	19,014	-	134,640
Insurance receivables	137,169	7,845	-	-		145,014
Tenor Deposits	161,112	-	-	-	-	161,112
Cash and cash equivalents	596,405	-	-	-	-	596,405
	1,140,413	44,078	81,393	22,105	-	1,287,989

Liquidity risk

The Company's principal objective in managing it's liquidity and it's capital resources is to maximize the returns on capital to shareholders, while enabling us to pay claims, pay dividends, pay staff and fulfill our statutory obligations to our regulators and the different tiers of government in the environment in which we operate. Effective and prudent liquidity is a priority across the Company. Management monitors the liquidity of Royal Exchange Prudential Life Plc on a daily basis and projects her financial needs over a multi-year time horizon through our quarterly budget and review process. We believe that the cash flows from the sources of fund available to the Company are sufficient to satisfy the current liquidity requirements of the Company, including under reasonably foreseeable stress scenarios.

In managing our liquidity (and of course our capital), we seek to:

- Match the profile of our assets and liabilities, taking into account the risks inherent in each line of product;
- Maintain financial strength to support new business growth whilst still satisfying the requirements of policyholders and regulators;
- Retain financial flexibility by maintaining strong liquidity, and;
- Allocate liquid resources efficiently to support growth while we pay claims and other commitments promptly.

Sources of liquidity

In managing our cash flow position, we have a number of sources of liquidity, including the following principal sources:

- Premium Income;
- Investment income
- Investment maturities, and;
- Investment contract deposits.

Application of funds

The principal uses of our liquidity include:

- Payment of claims, maturities, surrenders, and bonuses to policyholders;
- Staff benefits;
- Payment to other contract holders in connection with withdrawals and net policy loans;
- Purchase of investments' and;
- Payment in connection with financing activities.

In practice, most of the Company's assets are marketable securities which could be converted into cash when required.

Maturity profile

The following table shows the Company's expected maturity for its non-derivative assets. The table has been drawn up based on the undiscounted contractual maturities of the assets including interest that will be earned on those assets except where the Company anticipates that the cash flow will occur in a different period.

estimated cash flows of recognized insurance and participating investment contract liabilities. It includes both interest and principal cash flows.

It should be noted that unit-linked assets & liabilities and reinsurers' share of unearned premiums are excluded from this analysis.

31 December 2014	**< 1 month N'000**	**1 - 3 months N'000**	**3 - 12 months N'000**	**1 - 5 years N'000**	**> 5 years N'000**	**Total N'000**
Debt securities						
- Federal Govt.	-	-	5,113	-	-	5,113
- State Govt.	-	-	-	6,927	-	6,927
- Corporate	-	-	-	112,718	-	112,718
Loans and receivables						
- Individual Loans	-	-	14,518	5,665	-	20,183
- Mortgage Loans	-	-	-	12,472	-	12,472
Reinsurance Assets	-	150,872	-	53,246	-	204,118
Insurance receivables	21,311	57,322	-	-	-	78,633
Tenor Deposits	-	295,645	-	-	-	295,645
Cash and cash equivalents	96,343		-	-	-	96,343
	117,654	503,839	19,631	191,028	-	832,152
Insurance contract liabilities						
- Life	23,800	229,303	815,621	171,813	982,014	2,222,551
Investment contract liabilities						
- With DPF	26,797	26,400	64,380	45,000	95,386	257,963
- Without DPF	-	-	-	-	-	-
Unallocated divisible surplus						
Borrowings	-	-	-	-	-	-
Trade and other liabilities	191,898	54,989	17,124	70,820	81,876	416,707
	242,495	310,692	897,125	287,633	1,159,276	2,897,221

31 December 2013	< 1 month N'000	1 - 3 months N'000	3 - 12 months N'000	1 - 5 years N'000	> 5 years N'000	Total N'000
Debt securities						
- Federal Govt.	-	-	59,084		-	59,084
- State Govt.	-	-	-	65,511	-	65,511
- Corporate	-	-	-	96,177	-	96,177
Loans and receivables						
- Individual Loans	-	-	11,118	83	-	11,201
- Mortgage Loans	-	-	-	-	18,844	18,844
Reinsurance Assets	-	34,233	81,393	19,014	-	134,640
Insurance receivables	137,169	-	-	-	-	137,169
Tenor Deposits	-	161,112		-	-	161,112
Cash and cash equivalents	596,405	-	-	-	-	596,405
	733,574	195,345	151,595	180,785	18,844	1,280,143
Insurance contract liabilities						
- Life	638,789	167,271	449,640	83,923	671,104	2,010,727
Investment contract liabilities						
- With DPF	26,313	45,935	130,451	52,190	344,217	599,106
- Without DPF	-	-	-	-	-	-
Unallocated divisible surplus						
Borrowings	-	-	-	-	-	-
Trade and other liabilities	92,658	24,340	193,863	52,525	117,716	481,102
	757,760	237,546	773,954	188,638	1,133,037	3,090,935

Although the Company has access to financing facilities, the Company expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets and other sources listed in "Sources of Liquidity" above.

Liquidity Gap Analysis

31 December 2014	< 1 month N'000	1 - 3 months N'000	3 - 12 months N'000	1 - 5 years N'000	> 5 years N'000	Total N'000
Financial & insurance assets	117,654	503,839	182,281	1,159,690	1,410,990	3,374,454
Financial & insurance liabilities	242,495	310,629	897,125	287,633	1,159,276	2,897,158
	(124,841)	193,210	(714,844)	872,057	251,714	477,296

31 December 2013	< 1 month N'000	1 - 3 months N'000	3 - 12 months N'000	1 - 5 years N'000	> 5 years N'000	Total N'000
Financial & insurance assets	596,395	161,112	99,668	624,434	894,000	2,375,609
Financial & insurance liabilities	583,686	106,161	478,606	52,190	1,013,751	2,234,394
	12,709	54,951	(378,938)	572,244	(119,751)	141,215

Insurance risk management

The Company is exposed to insurance risk through its insurance contracts and certain investments contracts, where it assumes the risk of loss from persons or organizations that are directly subject to the underlying loss. The Company is exposed to mortality and morbidity risks as well as the uncertainty surrounding the timing, persistency levels, frequency and severity of claims and administrative expenses under these contracts.

The Company manages longevity risk, mortality and morbidity risks by use of disciplined underwriting process and reinsurance strategy which is purchased to mitigate the effect of potential loss to the Company. Pricing is based on assumptions which have regard to trends and past experience. Reinsurance of risks also enables the Company to manage specialist risks as well as assist us in managing capital. Generally, persistency risk arises when customers lapse their policies earlier than has been assumed. The Company implements specific initiatives to improve retention of policies which may otherwise lapse.

Underwriting Expense risk is primarily managed by the Company through the assessment of business unit profitability and frequent monitoring of expense levels.

Life insurance and investment contracts with discretionary participating features (DPF)

The Company writes life, annuities, and investment-linked contracts with or without discretionary participating features (DPF). The most significant risks arise from mortality, persistency, longevity, morbidity, expense variations and investment returns.

Concentration of insurance risk

Concentration of risk may arise from geographic regions, epidemics, accumulation of risks and market risk. The concentration of life insurance and investment contracts with DPF by location of the underlying risk is summarized below by reference to liabilities.

	Gross		Reinsurance		Net	
	31-Dec-14	31-Dec-13	31-Dec-14	31-Dec-13	31-Dec-14	31-Dec-13
	N'000	N'000	N'000	N'000	N'000	N'000
Life insurance:						
- Within Nigeria	2,222,552	2,010,727	129,512	53,247	2,093,040	1,957,480
- Outside Nigeria	-	-	-	-	-	-
	2,222,552	2,010,727	129,512	53,247	2,093,040	1,957,480
Inv. contracts with DPF:						
- Within Nigeria	257,963	598,636	-	-	257,963	598,636
- Outside Nigeria	-	-	-	-	-	-
	257,963	598,636	-	-	257,963	598,636

The concentration of life insurance and investment contracts with DPF by type of contract is summarized below by reference to liabilities.

Life insurance	Gross		Reinsurance		Net	
	31-Dec-14	31-Dec-13	31-Dec-14	31-Dec-13	31-Dec-14	31-Dec-13
	N'000	N'000	N'000	N'000	N'000	N'000
Protection	2,189,819	2,010,210	129,512	53,247	2,060,307	1,956,963
Pensions	-	-	-	-	-	-
Annuities	32733	517	-	-	32,733	517
Others	-	-	-	-	-	-
	2,222,552	2,010,727	129,512	53,247	2,093,040	1,957,480
Investment contracts with DPF	257,963	598,636	-	-	257,963	598,636

Assumptions and sensitivities

The risks associated with the life insurance and investment contracts with DPF are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The key assumptions in quantifying these liabilities include mortality, persistency, longevity, morbidity, expense variations, investment return and discount rates.

Some results of sensitivity testing are set out below showing the impact on profit before tax and shareholders' equity before and after reinsurance. For each sensitivity scenario, the impact of a change in a single factor is shown, with other assumptions or variables unchanged.

	Pre-tax profit		Shareholders' equity	
	31-Dec-14	31-Dec-13	31-Dec-14	31-Dec-13
	N'000	N'000	N'000	N'000
Life insurance:				
5% increase in mortality/morbidity				
Gross (2014: Nil; 2013: Nil)	-	-	-	-
Net (2014: N1,912; 2013:N2,235)	186,091	128,248	3,189,198	3,175,686
5% increase in longevity				
- Gross	-	-	-	-
- Net	-	-	-	-
10% increase in expenses				
Gross (2014: Nil; 2013: Nil)	-	-	-	-
Net (2014: N1,927; 2013:N2,244)	186,071	128,239	3,189,183	3,175,677
1% increase in interest rates				
Gross (2014: Nil; 2013: Nil)	-	-	-	-
Net (2014: N1,939; 2013:N2,208)	186,064	128,275	3,189,171	3,175,713

Claims development table for Group Life Scheme

Claims on life insurance contracts are payable on a claims-occurrence basis and the Company is liable for all insured events that occurred during the term of the contract. There is however, uncertainty in the estimation of future benefits payments arising from the unpredictability of long term changes in overall levels of mortality and the variability in policy holder behavior.

Changes may occur in the amount of the Company's obligations at the end of a contract period. In setting claims provisions, the Company gives consideration to the probability and magnitude of future claims experience being more adverse than assumed and exercises a degree of caution in setting reserves where there is considerable uncertainty.

The Company has taken advantage of the transitional rules of IFRS 4 that permit only five years of information to be disclosed upon adoption of IFRS.

The following table shows the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive year at each reporting date, together with cumulative payments to date with respect to short-term insurance contract.

Claims Development Pattern: Group Life

	Incremental Chain ladder-Yearly Projections (₦) Development Year				
Accident year	**0**	**1**	**2**	**3**	**4**
2007	122,699,831	34,905,315	577,411	3,633,646	1,261,552
2008	45,485,729	45,342,474	29,838,034	1,256,080	2,378,881
2009	25,378,136	54,497,734	31,967,515	18,098,940	2,696,593
2010	51,890,840	93,022,128	27,853,605	11,737,731	15,333,254
2011	76,113,193	70,611,981	52,699,284	43,992,708	-
2012	84,733,218	171,188,065	47,663,841	-	-
2013	228,474,642	243,203,033	-	-	-
2014	313,679,483	-	-	-	-

c) Capital Management

Our capital management framework is primarily based on statutory risk-based capital and solvency margin measures. The Company manages its capital to ensure that it continues as a going concern and comply with the regulators' capital requirements while maximizing the return to stakeholders through the optimization of its equity balance. The capital structure of the Company consists of equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings. Reinsurance is also used as part of capital management.

The minimum regulatory capital (as required under Insurance Act 2003 and NAICOM Guidelines), which is N2 billion for Life Assurers, has been maintained and preserved over the reporting periods.

The Company equally measures its capital using an economic capital model which is the Company's own assessment of the amount of capital it needs to hold and takes into account both financial and non-financial assumptions. In most cases the internally required capital is determined by the application of percentages to premiums, claims, reserves and expenses.

There was no change made neither to the capital base nor to the objectives, policies and processes for managing capital. Under our capital management policy approved by the Board of Directors, the Managing Director and the Chief Financial Officer are authorized to approve capital actions on behalf of the Company and to further delegate authority with respect to capital actions to appropriate officers. Any capital commitment that exceeds the authority granted to senior management is separately authorized by the Board.

However, the solvency level of the Company on the valuation date of 31 December, 2014 was 80.9%. That is, the admissible assets representing the Life Fund (including outstanding claims) and deposit administration funds, amounting to N2.032 billion were 80.9% of the actuarial determined gross liabilities, including outstanding claims, of N2.481 billion.

The Insurance Act 2003 requires that the deficiency of N448 million be made good by way of cash payment and that satisfactory evidence of such payment be provided to the National Insurance Commission ("the Commission" or "NAICOM") within a time-frame to be directed by NAICOM.

The Directors have commenced a process to realize some of the Company's investment properties and are therefore confident that the deficiency will be rectified without any adverse impact on the operations of the Company.

The table below sets out the capital that is managed by the Company on an IFRS and regulatory basis:

	31-Dec-14	**31-Dec-13**
	N'000	**N'000**
Shareholders' fund as per financial position	3,165,713	3,158,460
Less: Intangible assets	(2,748)	(3,387)
Capital resources on a regulatory basis	3,162,966	3,155,073

The details of the Company's capital structure are shown in the statement of financial position section of the financial statements.

41 Segment Reporting

Operating segments are identified and reported in consonance with the internal reporting policy of the Company that are regularly reviewed by the Chief Executive who allocate resources to the segment and assess their performance thereof.

The Company's reportable segments, for management purpose, are organized into business units based on the products and services offered as follows:

- Long term business (Individual - life assurance)
- Short term business (Group - life assurance), and,
- Investment linked contracts.

The other segments include corporate shared services and other activities not related to the core business segment and which are not reportable segments due to their immateriality. Certain expenses, finance costs and taxes are not allocated across the segments. This is the measure used by the Company's Chief Executive for the purposes of resource allocation and assessment of segment performance.

Nigeria is the Company's primary geographical segment as all the Company's income is derived in Nigeria. Accordingly, no further geographical segment information is presented.

The segment information provided by Management for the reporting segments for the year ended 31 December 2014 and 2013 respectively are as follows:

31 December 2014	Long Term N'000	Short Term N'000	Investment Linked N'000	Total N'000
Gross Premium Income	485,248	2,154,193	-	2,639,441
Reinsurance Expenses	(3,647)	(332,897)	-	(336,544)
Net premium income	481,601	1,821,296	-	2,302,897
Fees and Commission income	1,254	34,524		35,778
Net underwriting income	482,855	1,855,820	-	2,338,675
Gross benefits and claims paid				-
Insurance claims and benefits paid - recoverable from reinsurers	(688,773)	(101,174)	-	(789,948)
Changes in insurance contract liabilities	(310,509)	19,621	-	(290,888)
Underwriting Expenses	(77,667)	(339,600)	(30,317)	(447,584)
Underwriting profit	(594,095)	1,434,667	(30,317)	810,255
Profit from Investment contracts			38,999	38,999
Other Investment income	40,452	153,961	13,484	207,897
Fair value gains/(losses)	8,678	46,280	2,892	57,850
Other operating income	1,862	9,918	620	12,400
Depreciation on Property and Equipment	(6,266)	(33,415)	(2,089)	(41,770)
Write-back/(charge) of impairment	(124)	(659)	(41)	(824)
Management expenses	(144,673)	(729,000)	(48,225)	(921,898)
Results from operating activities	(694,166)	881,752	(24,677)	162,910

31 December 2013	Long Term N'000	Short Term N'000	Investment Linked N'000	Total N'000
Gross Premium Income	359,030	997,507	-	1,356,537
Insurance premium ceded to reinsurers	(982)	(200,483)	-	(201,465)
Net insurance premium revenue	358,048	797,024	-	1,155,072
Fee Income	109	41,785	-	41,894
Net underwriting income	358,157	838,809	-	1,196,966
Insurance benefits and claims	(42,267)	(654,560)	-	(696,827)
Insurance claims recovered from reinsurers	-	115,069	-	115,069
Changes in insurance contract liabilities	(231,917)	175,456	-	(56,461)
Underwriting Expenses	(67,247)	(230,968)	(19,447)	(317,662)
Underwriting profit	16,726	243,806	(19,447)	241,085
Investment returns	43,992	151,119	21,996	217,107
Fair value gains/(losses)	46,629	163,202	23,314	233,145
Other operating income	5,904	20,665	2,951	29,520
Other expenses	(41,348)	(531,269)	(17,755)	(590,372)
Results from operating activities	71,903	47,523	11,059	130,485

42 Financial assets and liabilities

Accounting classification, measurement basis and fair values

The table below sets out the Company's classification of each class of financial assets and liabilities, and their fair values.

31 December 2014

	Held to maturity	Loans and receivables	Designated at fair value through profit or loss	Available-for-sale	Other amortized cost	Total carrying amount	Fair value
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Cash and Cash Equivalents	-	391,988	-	-	-	391,988	391,988
Financial Assets	-	152,301	447,441	91,612	-	691,354	691,354
Trade Receivables	-	78,633	-	-	-	78,633	78,633
Other Receivables	-	124,178	-	-	-	124,178	124,178
Reinsurance Assets	-	170,687	-	-	-	170,687	170,687
	-	917,787	447,441	91,612	-	1,456,840	1,456,840
Borrowings	-	2,949	-	-	-	2,949	2,949
Trade Payables	-	-	-	-	29,947	29,947	29,947
Other Payables	-	-	-	-	349,000	349,000	349,000
Investment Contract Liabilities	-	-	-	-	257,963	257,963	257,963
	-	2,949	-	-	636,910	639,859	639,859

31 December 2013

	Held to maturity	Loans and receivables	Designated at fair value through profit or loss	Available-for-sale	Other amortized cost	Total carrying amount	Fair value
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Cash and Cash Equivalents	-	757,517	-	-	-	757,517	757,517
Financial Assets	-	186,146	562,314	91,612	-	840,072	840,072
Trade Receivables	-	137,169	-	-	-	137,169	137,169
Other Receivables	-	58,587	-	-	-	58,587	58,587
Reinsurance Assets	-	147,856	-	-	-	147,856	147,856
	-	1,287,275	562,314	91,612	-	1,941,201	1,941,201
Borrowings	-	10	-	-	-	10	10
Trade Payables	-	-	-	-	97,146	97,146	97,146
Other Payables	-	-	-	-	351,957	351,957	351,957
Investment Contract Liabilities	-	-	-	-	599,106	599,106	599,106
	-	10	-	-	1,048,209	1,048,219	1,048,219

43 Related party transactions:

The Company is a wholly owned subsidiary of Royal Exchange Plc which owns 99.9% of the paid up share capital. During the year, the Company entered into commercial transactions with other companies within the Royal Exchange Plc Group. During the year, the Company declared and paid dividend in the sum of N151.3 million to Royal Exchange Plc.

All the transactions with the related parties were conducted at arm's length. Related parties and related party transactions during the period include:-

Name of related party/ (relationship)

Royal Exchange General Insurance Ltd (fellow subsidiary)

	31-Dec-14	31-Dec-13
	N'000	N'000
Amounts payable	81,876	89,450
Claims paid	6,343	6,343
Gross premium written	6,580	6,811
Fee and commission income	-	613
Underwriting expense	-	613

Royal Exchange Finance and Investment Ltd ((fellow subsidiary)

	31-Dec-14	31-Dec-13
	N'000	N'000
Amounts receivable	736	-
Amounts payable	-	17,617
Interest income	-	6,068
Short term deposits	-	42,677
Expenses(lease payments) - see Note below	-	8,185

Royal Exchange Healthcare Ltd ((fellow subsidiary))	31-Dec-14	31-Dec-13
	N'000	N'000
Amounts receivable	13,923	-
Amounts payable	-	39,498

Expenses (lease payments) - related parties

The Company leases motor vehicles under finance lease agreements from Royal Exchange Finance and Investment Ltd. Each of the assets leased have various terms and are settled when due. The average lease term is 2 years. The Company has options to purchase the equipment for a nominal amount at the end of the lease terms. The Company's obligations under finance leases are secured by the lessors' title to the leased assets. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 18% to 22% per annum.

We have no rental payable as at 31 December 2104 (2013:N17.6 million)

44 Contingencies and Commitments

45(a) Commitments for expenditure

The Company has no commitment for capital expenditure at the reporting date.

However, the Company entered into a contract for the management and maintenance of some of its investment properties on annual basis, which will give rise to an annual expense of N2.3 million.

45(b) Contingent liabilities and contingent assets

Contingent liabilities

	31-Dec-14	31-Dec-13
	N'000	N'000
Legal proceedings and regulation(see note (i) below)	13,475	9,956

(i) There are certain litigations pending in some courts of law in Nigeria involving the Company either as plaintiff or defendant. The directors believe, based on legal advice, that the action can be successfully defended and therefore there are no significant grounds to warrant any provision in respect of such cases.

Contingent assets

The Company has no contingent assets at the reporting date.

45 Events after the reporting period

There were no events after the end of the reporting period which could have a material effect on the financial position of the Company as at 31 December 2014 and profit attributable to equity holders on that date which have not been adequately provided for or disclosed.

46 Compensation of key management personnel

The key management personnel of the Company include all directors, executive and non-executive, as well as senior management staff. The summary of compensation of key management personnel for the year is as follows:

Chairman and directors' emoluments	31-Dec-14	31-Dec-13
	N'000	N'000
Emoluments		
Chairman	11,244	10,566
Other Directors	5,180	12,681
	16,424	23,247
Directors' fees	5,180	12,681
Emoluments as Executives	11,244	10,566
	16,424	23,247
The highest paid director	11,244	10,566

The number of directors who received fees and other emoluments (excluding pension contributions) in the following ranges were:-

	31-Dec-14	31-Dec-13
N500,000 - N2,000,000	4	4
N2,000,001 - and above	1	1

47 Contraventions

During the year, the Company contravened a section of the Insurance Act Cap I17 LFN 2004 and the NAICOM Insurance Guideline 2011. as detailed below:-

NAICOM	Penalty Paid
Description	N'000
Penalty for non-submission of 2nd, 3rd and 4th quarterly returns for 2013	1,500,000

Other financial information

Value added statement

for the year ended 31 December 2014

	2014 N'000	%	2013 N'000	%
Net premium earned	2,639,442		1,356,537	
Reinsurance, claims, commission and others	(2,163,427)		(1,184,500)	
	476,015		172,037	
Investment income	207,897		217,106	
Fees and Commission income	35,778		41,894	
Other operating income	12,400		29,519	
Value added	732,090	100	460,556	100
Applied as follows:				
In payment of employees:				
- Salaries, wages and other benefits	212,857	29	217,615	47
In payment to government:				
- Taxation	22,479	3	52,455	11
For future replacement of assets and expansion of business:				
Depreciation	41,770	6	34,573	8
Transfer to contingency reserve	23,666	3	21,425	5
Transfer to life fund	290,888	40	56,461	12
Transfer to revenue reserve	140,430	19	78,027	17
	732,090	100	460,556	100

Financial summary
for the year ended 31 December 2014

	31 DEC 2014 N'000	31 DEC 2013 N'000	31 DEC 2012 N'000	31 DEC 2011 N'000	31 DEC 2010 N'000
Assets					
Cash and cash equivalents	391,988	757,517	278,139	90,300	278,659
Other financial assets	691,354	840,072	646,319	664,054	865,514
Trade receivables	78,633	137,169	102,611	-	23,360
Reinsurance assets	170,687	147,856	44,285	32,845	5,851
Deferred acquisition cost	34,606	75,215	3,500	6,469	3,433
Other receivables and prepayments	162,650	120,857	36,164	78,593	134,870
Investment in associate	283,217	252,671	252,671	-	-
Investment properties	3,874,649	3,647,624	3,567,658	3,825,904	3,591,387
Intangible assets	2,748	3,387	3,350	5,729	13,071
Property and equipment	172,825	149,279	117,755	134,767	132,216
Employees retirement benefits	11,350	-	-	-	-
Statutory deposits	215,000	215,000	215,000	215,000	215,000
Total assets	6,089,707	6,346,647	5,267,452	5,053,661	5,263,361
Liabilities					
Insurance contract liabilities	2,222,552	2,055,869	998,208	576,834	601,076
Investment contract liabilities	257,963	599,106	573,494	530,960	591,603
Trade payables	29,947	97,146	29,103	56,193	66,886
Other payables	378,423	368,026	516,007	516,118	506,694
Borrowings	2,949	10	31,580	13,261	-
Employee benefit liability	2,935	28,679	19,928	14,646	13,771
Income taxes	11,108	19,488	12,257	9,949	27,234
Deferred tax liabilities	18,117	19,863	-	-	-
Total liabilities	2,923,994	3,188,187	2,180,577	1,717,961	1,807,264
EQUITY					
Share capital	2,161,339	2,161,339	2,161,339	2,161,339	2,161,339
Share premium	404,494	404,494	404,494	404,494	2,672,882
Contingency reserve	86,848	63,182	41,757	29,695	23,584
Retained earnings (General reserve)	501,168	535,698	479,096	739,364	(1,401,708)
Fair value reserves	(4,210)	(4,210)	-	-	-
Other reserves-employee benefit actuarial (deficit)/surplus	16,074	(2,043)	189	808	-
Total equity	3,165,713	3,158,460	3,086,875	3,335,700	3,456,097
Total equity & liabilities	6,089,707	6,346,647	5,267,452	5,053,661	5,263,361

Statement of Profit or Loss and Other Comprehensive Income

FINANCIAL SUMMARY	IFRS 2014 N'000	IFRS 2013 N'000	IFRS 2012 N'000	IFRS 2011 N'000
Insurance premium revenue	2,366,568	2,142,457	1,206,148	611,100
Net insurance premium revenue	2,302,898	1,155,072	765,430	547,297
Profit/(loss) before tax	162,909	130,482	(223,764)	(105,882)
Exceptional items				
Income tax expense	(22,479)	(52,455)	(24,442)	(15,323)
Profit/(loss) after tax	140,430	78,027	(248,206)	(121,205)
Transfer to contingency reserve	-	-	12,062	6,111
Earnings per share	0.07	0.03	(0.12)	6.00

The financial information presented above reflects historical summaries based on International Financial Reporting Standards. Information related to prior periods has not been presented as it is based on a different financial reporting framework (Nigerian GAAP) and is therefore not comparable .